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This Month's Cover

BETHLEHEM, PENNSYLVANIA

The United Brethren, a religious sect from Moravia, founded this center of steel manufacture and musical culture in 1741 when they settled along the Lehigh River, about 50 miles northwest of Philadelphia. At Christmas they named their village Bethlehem. An experiment in common ownership of property followed. By 1760 the village had developed flour and saw mills, pottery making, weaving, hat manufacturing, dyeing, tanning, and slaughtering. In 1763, however, most of the property was distributed among the congregation: . . . A print showing the cupolaed Moravian Church was drawn in 1829 by George Lehman and lithographed in colors by C. G. Childs. It appears on this month's cover of "Dun's Review" through courtesy of the Phelps Stokes Collection, New York Public Library. . . . When Bethlehem was incorporated as a borough, in 1845, the population was about 1,000. After 1850, railroads, iron-ore, and Bessemer steel-making brought expansion; in the 1880's silk mills were built. Through the naming for it of America's second largest steel corporation, Bethlehem became nationally known for industrial activity. Meanwhile, it acquired a reputation for music appreciation. The Moravians maintained a music society and before 1750 an orchestra of strings, wood, and brass instruments played in church. In 1895 a Bethlehem choir began celebrating a Bach festival, today attended by thousands. . . . Now a city of 58,500, Bethlehem has 74 manufacturers employing 15,369. The city's 40 wholesalers do a business of $24,300,000 a year; the annual sales of the 899 retailers total $22,000,000 (1939 census figures).

ALL-STEEL CABOOSE, ERIE RAILROAD—PHOTOGRAPH FROM CUSHING

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CAR-FLOATS ON THE HARLEM RIVER SHIP CANAL, N. Y.—PHOTOGRAPH FROM CUSHING

CORPORATIONS *and the* 1941 TAXES

J. K. LASSER, C.P.A.

While the power of defense expenditures spins the wheels of industry, the money that buys the power must be obtained in ever greater sums. New tax legislation, therefore, has an even greater importance to business. A man acquainted with the application of tax law here explores possibilities in the 1941 Federal law which may make it advisable for some corporations to study ways to adjust their weight to the legislation and avoid some of its bumps.

ALTHOUGH the September Congress found it rather easy to pass the largest tax bill in our history, the Revenue Act of 1941 will be only of moderate assistance in solving our fiscal difficulties. Conservative estimates suggest that it will procure an additional $3,500,000,000 as its contribution to the proposed $50,000,000,000 or $60,000,000,000 defense program. It will still leave something like $10,000,000,000 to be added to the public debt. Despite the fanfare and fuss, therefore, this extraordinary boost in taxes represents only the proverbial drop in the bucket as compared with the illimitable demands of lease-lend and national defense.

Calculations of tax practitioners adequately demonstrate that its impact invariably means taxes upon more than the so-called abnormal profits incident to the defense boom, even though Congressional minorities insisted that does not go far enough, and that heavier punitive taxation is required by this era of "huge profits" accruing to industry.

To view the general tax picture in perspective, the new taxes may well be compared to the tax set-up during our previous greatest period of tremendous national defense spending —the year of 1918. Table I shows the relative factors.

Under the 1940 law, corporations would have paid 46 per cent of the revenue for 1941. They will now supply 44 per cent. The actual increase in corporate taxes from $4,400,000,000 to $5,800,000,000 averages 32 per cent.

Corporate income for 1941 is estimated at $150,000,000,000. Net profits, according to the National Association of Manufacturers, are likely to be about $15,000,000,000, of which some $5,800,000,000 is to be paid in income, surtax, and profits taxes. Thus approximately

39 per cent of the total corporate profits in the United States is expected to be paid to the Federal Government in the form of normal tax, surtax, and excess profits tax. In addition, they have their bill for payroll and excise taxes.

For 1918, the gross corporate income was about $80,000,000,000 and the net profit reported on returns was $8,400,000,000. Of this net profit, $3,200,000,000 or 38 per cent, was paid in income, war, and excess profits taxes. This left $5,200,000,000, or 62 per cent of corporation net income available for surplus for payment of debts, dividends, or reserves. Under the 1941 Act the estimated amount available would be 61 per cent, approximately the same percentage as in 1918. The parallel between these percentages for the two years is quite close; note, however, that corporations accounted for 63 per cent of total tax receipts in 1918 but only for 44 per cent in the estimates for 1941.

The comparison points out that although corporate income and corporate profits have almost doubled, the relative percentage paid in Federal income and excess profits taxes is approximately the same. But a larger relative burden was borne by corporations as compared with individuals in 1918 than in 1941.

I. Sources of Federal Tax Receipts—1918, 1940, and 1941

	Taxes Under Old Law (1940 Act)		Additions Under New Law (1941 Act)		Total Taxes 1941		Total Taxes 1918	
	Billion Dollars	*Per Cent*	*Billion Dollars*	*Per Cent*	*Billion Dollars*	*Per Cent*	*Billion Dollars*	*Per Cent*
Corporations								
Normal Tax	2.9	..	.5*	..	2.4	..	.7	..
Surtax	..	..	.8	..	.8	..	..	..
Excess Profits Tax	1.0	..	1.1	..	2.1	..	2.5	..
Capital Stock Tax	.2	..	..	..	.2	..	.1	..
Back Taxes and Miscellaneous Taxes	.3	..	..	..	.3	..	..	..
Total Corporation Taxes	4.4	46	1.4	40	5.8	44	3.3	63
Individuals								
Income Taxes	2.2	..	1.1	..	3.3	..	1.1	..
Estate and Gift Taxes	.5	..	.2	..	.7	..	..	..
Total Individual Taxes	2.7	28	1.3	37	4.0	31	1.1	21
Excise Taxes and Other Sources of Revenue	2.5	26	.8	23	3.3	25	.8	16
Total Revenue	9.6	100	3.5	100	13.1	100	5.2	100

The taxes for 1941 are Congressional estimates. Corporation Normal and Excess Profits Tax and Individual Income Tax figures are based on information from unaudited returns filed in 1918. Capital Stock Tax, Estate, Gift, Excise Taxes, and other sources of revenue for 1918 are for the fiscal year ended June 30, and represent actual governmental receipts. * Decrease.

Pressure For Higher Taxes

Despite the enormity of the corporate burden, it must continually be recognized that the corporate taxes were imposed at these rates despite a wholesale assault upon the action as inadequate. To a large extent many in Congress felt that the taxes were indefensible and still protected entrenched corporate wealth. In addition, the Treasury constantly urged higher rates and a system of imposition which would destroy the whole basis of calculating the excess profits. The recent suggestion of Mr. Morgenthau that the profits tax reach all income in excess of 6 per cent of "invested capital" is typical of the Treasury's pleadings in the course of the drafting of the 1941 bill.

And yet, miraculously, the broad plan of the 1941 law survived—certainly momentarily, for it is evident that continued pressure upon the legislators will require some sort of modification in 1942. This year Congress boosted individual income taxes by 50 per cent while increasing corporate levies only by 36 per cent. Perhaps the relief to corporations is recognition of the need for some sort of co-operation between industry and the defense program. Possibly too, there was some appreciation of the requirements of business to maintain or to build reserves for the difficult period after the emergency. Such an adjustment era is clearly perceived as one that will need a substantial financial "cushion" to survive the expected economic dislocation.

Three broad steps were taken to revise and to increase corporate taxes—(1) changed normal tax rates, (2) the imposition of a new surtax, and (3) several changes in the method of calculating the excess profits tax, including higher rates.

1. Change in Normal Tax Rates. Normal taxes were only moderately changed in a process of dropping the old defense tax. For 1941 they will be computed after deducting the excess profits taxes.

	Normal Tax Rates 1940	1941
	Per Cent of Income	
First $5,000	14.85	15
Next $15,000	16.5	17
Next $5,000	18.7	19
For 1941		
$25,000 to $38,461.54*		37
In excess of $38,461.54 the entire income is calculated at this rate		24
For 1940		
$25,000 to $31,964.30	38.3	
$25,000 to $38,565.89*	**	
In excess of $38,565.89 the entire income is calculated at this rate	24.0	

* For incomes falling in these so-called "notch provisions" the rates are arranged so that the total normal tax calculated on reaching the upper limit of the bracket will be at the rate of 24 per cent. Normal taxes on incomes above this limit can therefore be calculated on a flat 24 per cent rate without figuring the tax in each bracket.

** $4,250 plus 36.9 per cent of any excess over $25,000.

2. Corporation Surtax. The law now imposes upon corporations a new surtax of 6 per cent of the first $25,000 of surtax net income and 7 per cent of the balance. It actually raises all cor-

porate income tax rates to a high of 31 per cent and was advanced by Congress as its only means of reaching income from the large volume of partially tax exempt Federal securities held by corporations. Of the total amount outstanding, nearly $31,000,000,000, over 51 per cent is held by banks and nearly 20 per cent by insurance companies. Surtax net income is approximately the same income as that subject to the normal tax except for an increase in the dividend credit to a maximum of 85 per cent of the surtax income and the inclusion of most interest on Government obligations which is excluded in computing the normal tax.

3. Excess Profits Tax. Congress retained the excess profits tax structure which was established in 1940. Despite Treasury pleas, it felt that the allowance of the alternative methods of computing the excess profits credit—that is, either the invested capital method or the average earnings method—was still justified. The policy of allowing the computation of the credit on the basis of average earnings was adequately demonstrated by testimony to be essential for many businesses that have been conservatively capitalized, or built up not mainly from capital but from good management, skill, development of good will, favorable locations, and trade advantages. Comparatively little argument was given against continuing the use of the invested capital method as an optional base, except for the contention that the present owners in many instances had acquired ownership stock on a basis far below invested capital figures. Some plea continues that this group should realize excess profits if they use the basis of what the original owners paid for the stock but this was rejected this time as contrary to equity and justice. Moreover, there was continued recognition of the necessity to provide the invested capital yardstick for those corporations which had no base period income or were operating on a subnormal basis in the base period.

II. Excess Profits Tax Rates, 1940 Compared with 1941

Adjusted Excess Profits Net Income	1941 Percentage	1941 Cumulative in Dollars	1940 Percentage	1940 Cumulative in Dollars
Not over $20,000	35	7,000	25	5,000
$20,000 to $50,000	40	19,000	30	14,000
$50,000 to $100,000	45	41,500	35	31,500
$100,000 to $250,000	50	116,500	40	91,500
$250,000 to $500,000	55	254,000	45	204,000
Over $500,000	60	.....	50	.....

APH FROM HOBART

Debated Points

The debate concerning the elimination of the base period income credit as a method of computing the profits tax is, at best, confusing, even if the affirmative has such recognition as Mr. Morgenthau and Senator LaFollette as its principal advocates. It is interesting to observe the present state of their argument:

A. The alternative theory is unsound in that it taxes only some income resulting from the defense expenditures, and little of true excess profits. That must be true, says La Follette, since the earnings in 1941 are excused from tax to the extent that they are equal to or less than

those in 1936 to 1939. That period, he urges, can be normal for some companies and abnormal for others. Therefore, even some defense earnings escape along with much other abnormal income.

B. Large, prosperous companies with consistent profits are relieved and therefore some competitors who did not have fortunate base period earnings are unduly harassed. "We thereby," says La Follette, "encourage big business."

C. Monopoly is condoned and even encouraged since new and growing corporations without base period earnings are forced to compute their tax under the invested capital credit.

Obviously proponents of a single credit expect a tax bill that will equalize competitive business conditions, or at least they urge that our taxing system should not distort existing advantages of a free enterprise. And yet students of the present alternative process, particularly as it is adjusted by the grant to secure extra credits for new capital and the opportunity to use the base period experiences of predecessors, make little sense of the argument. On the contrary, we have developed a real fear that the elimination of the income credit is likely to seriously impair our economic structure in an era of 70 per cent taxation. To base our tax system on invested equities (particularly as they are defined in the tax statutes) has at least these emphatic inequities—

First: It levies its greatest impost upon the businesses where (while profits are comparable to those in the larger institutions) capital is less and earnings are due principally to the ingenuity and perspiration of the management.

Second: It gives a serious monopolistic and discriminatory advantage to the old-line, heavily capitalized companies, particularly those which marketed their stock in great quantities in the glowing twenties. Present values and the price paid by present stockholders for their equities are not considered.

American business is thoroughly

Profitable Points to Watch for Tax Savings

The combined normal surtax and excess profits taxes now range from a low of 21 per cent to a possible 72 per cent on income, all depending upon the income and the size of the excess profits credits. Attention to the process of reducing the levies is of growing importance.

We sometimes forget that the law permits corporations to choose between an unusual number of well-intentioned elections and options which exist in various sections of the computation statute. These merit serious study by all companies. Painstaking attention and detailed computations will often result in substantial tax economies to foresighted corporations.

It should also be remembered that expert draftsmen have inserted a series of technical restrictions and penalties around many of the "relief" clauses and elections. The opportunities for minimizing therefore require exhaustive scrutiny of each situation from obtuse and acute angles at each step in the process. If care is not used, an unforeseen quirk may nullify efforts or may unexpectedly produce adverse tax consequences. For example, a business may effect a reduction in excess profits tax of $10,000 only to find that it must now pay additional normal taxes for prior years amounting to $25,000. Instead of saving $10,000, it will have lost $15,000 by overlooking a pertinent provision in the law.

Some studies corporations should make are:

1. If a corporation meets the test as a "personal service" company, (broadly, where the corporate income is primarily due to the personal services of active stockholders, and where capital is not a material income-producing factor), it may elect to avoid the excess profits tax entirely. Instead, each stockholder includes his share of the corporate profits in his personal income tax return as if it had actually been distributed to him. Thus, in effect, a "personal service" corporation may elect to be taxed as a partnership.

2. In most cases, probably the most important choice to be made will be the selection of the excess profits credit, that is, the average earnings or the invested capital. The decision made when filing the return is irrevocable unless very careful calculations under both methods appear on the return. Making both calculations may be avoided by specifically disclaiming on the return the method which you do not wish to use. Much caution should be exercised in doing this, for once the disclaimer is made, the method disclaimed can never be used for that particular year.

3. The excess profits tax is assessed against corporations but not against individuals or partnerships. This has materially added to the burden of corporations as contrasted to that upon a business conducted by partners or by an individual. It may now be advisable and possible in some cases to convert corporations into a partnership or proprietorship.

4. For an emergency facility purchased or constructed for national defense, the necessary certificates may permit amortization of the cost over a period of 60 months, instead of by the regular depreciation method.

5. The law gives considerable relief in allowing the carry-over of unused excess profits credits for two years. It is therefore essential to exercise considerable diligence in making certain that the credit allowed in each year is the greatest possible, not necessarily the amount which will afford relief for that year from excess profits tax.

6. It may be possible for many corporations to effect considerable tax economies by using the abnormalities provisions. In many instances a company may elect to claim two or more kinds of relief to secure the highest possible excess profits tax credit and the lowest income for the current year. *(Continued on opposite page)*

agreed that there should be no abnormal profits during the defense emergency. But adequate regard for the organization of our business structure and for the effect of investment in only a part of our system would seem to require retention of the alternatives as an equitable process.

"Excess Profits" Changes

Four major changes were made in the excess profits tax law. Rates were moved up 10 points in each bracket (see table II). The 8 per cent allowance for invested capital was reduced to 7 per cent on all invested capital over $5,000,000. The handling of deductions for the normal tax and the excess profits tax was reversed. And finally a bonus was extended for new capital brought into corporations in tax years after 1940.

It is important to note that these stepped-up rates mean that corporations are now able to borrow money at increasingly low actual interest rates.

It was true last year that companies subject to excess profits tax could borrow at actual interest rates far lower than the nominal rate at which the loan was secured. For example, last year a company which negotiated a loan at 5 per cent interest, used the invested capital method, and was in the 50 per cent excess profits tax bracket, would pay interest at an actual rate, because of tax savings, of only 1.15 per cent.

This year, with increased tax rates, the same company with the same income would be in the 60 per cent brackets and its actual interest cost would be only .759. A company with smaller income so that it falls in a lower bracket could still borrow at about 2 per cent instead of a nominal 5 or 6 per cent.

Reversal of Deduction

A severe change was made in the method of computing the excess profits taxes. Under the 1940 Act the normal tax was permitted as a deduction in the computation of the excess profits tax. The 1941 Act reverses the procedure by

PROFITABLE POINTS TO WATCH FOR TAX SAVINGS—*(Continued)*

7. Under certain circumstances, a reorganization or merger may be advisable if corporations can thereby acquire another company which had large earnings basis in the years from 1936 to 1939. Small investments may produce a much higher average earnings credit.

8. Where feasible, corporations may be split up into smaller units to reduce the normal tax and surtax. Note, however, that split-ups of corporations by tax-free reorganizations cannot secure the lower brackets of excess profits taxes.

9. Affiliated companies may elect to file a consolidated return or to file separate returns. The decision, of course, depends upon the individual circumstances; note, however, if you are thinking of filing a consolidated return, then only one $5,000 specific exemption is permitted to the group, and, according to the Treasury Regulations, once the election to file a consolidated return is made, it is irrevocable and can not be changed in following years.

10. Companies using the income credit based on average earnings during the base period have an opportunity to increase their credit in cases where the corporation has been growing and where earnings are larger in the last two base years. This method, used by so-called "growing" corporations will frequently yield a considerably higher credit.

11. Ways of increasing invested capital by current sales of stock or by possible paid-in capital contributions ought to be examined by company experts, particularly in the light of the new rules this year. Stockholders' payments are a contribution to capital from the date of the receipt of money or property whether or not the stock is immediately issued.

12. In many cases, the excess profits tax can be materially reduced by correcting the books for all kinds of inaccurate accounting, errors which exist in the computation of income in previous years, or other cases where the book surplus does not properly reflect the actual earnings and profits of the company. Note that in such cases it may be necessary to pay taxes in order to correct the prior years' accounting. It may nevertheless be advantageous to secure a corrected invested capital to apply to all current and future excess profits tax years. In some instances the inconsistent position may not cause increased taxes.

13. Companies which own tax exempt obligations may elect to treat the interest received as taxable for the excess profits tax, or may treat the interest as tax exempt. If it is found more advantageous to consider the securities admissible assets, and thereby raise the 8 per cent invested capital credit, you must report the interest received as taxable income. Again, calculations will have to be made to determine which method is better. Note that you must make the election with respect to all such tax exempt obligations.

14. A company using the invested capital method may elect to defer the payment of dividends to the last possible day within the year in order to secure the minimum reduction of invested capital. Dividends paid during the year in excess of the year's profits reduce invested capital. Unless certain, therefore, that profits will be in excess of dividends, it is usually wise to defer payment as long as possible. This applies also in part to companies using the income credit. Note that companies paying dividends during the first 60 days of 1942 will automatically reduce the amount of their invested capital for the full year of 1942—not for the usual prorated amount.

III. Net Cost of Borrowing Money if a Corporation is Subject to Excess Profits Taxes

If a Company Having a Total Invested Capital under $5,000,000 Uses the "Invested Capital Credit"

If Rates of Interest Paid on Borrowed Capital are:	Actual Rate of Interest* in the Following Excess Profits Tax Brackets					
	35%	*40%*	*45%*	*50%*	*55%*	*60%*
2 per cent	.1725	0	*.1725†*	*.345†*	*.5175†*	*.69†*
3 " "	.74175	.552	.36225	.1725	*.01725†*	*.207†*
4 " "	1.311	1.104	.897	.69	.483	.276
5 " "	1.88025	1.656	1.43175	1.2075	.98325	.759
6 " "	2.4495	2.208	1.9665	1.725	1.4835	1.242

If a Company Uses the "Income Credit"

2 per cent	.897	.828	.759	.69	.621	.552
3 " "	1.3455	1.242	1.1385	1.035	.9315	.828
4 " "	1.794	1.656	1.518	1.38	1.242	1.104
5 " "	2.2425	2.07	1.8975	1.725	1.5525	1.38
6 " "	2.691	2.484	2.277	2.07	1.863	1.656

All of these examples assume that a company is also subject to the 24 per cent normal tax and 6 and 7 per cent surtax.
* Giving full effect to tax savings due to borrowed capital and the allowable deduction for interest.
† Italics denote net tax saved is in excess of the interest cost.

allowing the excess profits tax as a deduction in computing the normal and surtax, but not allowing the normal tax to be deducted in computing the excess profits tax. This trick cuts $500,000,000 out of normal tax returns but recovers far more than that in excess profits taxes. It is a reversion to the rule in force in 1918 under the World War taxes and follows present British practice.

The effect of the device is—

1. It measurably increases the excess profits tax by applying the higher excess profits tax rates to a larger base.

2. It actually changes the 8 and 7 per cent credits on invested capital to an equivalent of 5.6 and 4.9 per cent.

3. If you use the income credit based on 95 per cent of the base period earnings, then the credit is increased by a corresponding elimination of the previous deductions of income taxes in determining average base period net income. But your income subject to tax in 1941 is before deducting normal taxes and the tax is likely to be much greater.

4. If you have a carry-over credit from 1940 (where the larger of either the income or excess profits credit exceeded the income after normal taxes), you must now recompute it just as if all parts of the 1941 law were in effect

NEW YORK STOCK EXCHANGE LECTURE TOUR—PHOTOGRAPH FROM CUSHING

then. The result will invariably be a diminished credit.

The only other important change in the law was the grant—only to companies using the invested capital credit—of a bonus of 25 per cent for all new capital contributions. In effect, the 7 and 8 per cent credit normally allowed on other invested capital is increased to 8.75 per cent and 10 per cent for certain new capital additions. They consist, roughly, only of money and property (not services) paid in for stock or received as paid in surplus or as a contribution to capital in any tax year after 1940.

The new rules are intended to encourage investment in defense indus-

Relief Provisions

According to Congressional Committee Reports, the law has attempted to provide a set of flexible rules intended to alleviate many of the inequities produced by so severe a statute. Some changes were made in these so-called "relief" provisions in the 1941 Revenue Act. Congress has charged the Treasury to treat magnanimously with the legislation in order to meet the contingencies that arise. In all, six separate "relief" provisions are included in the law. The present status of these, giving effect to the changes in the Revenue Act of 1941, is:

1. Unused Excess Profits Credit Carry-over

To alleviate the hardship caused by sharply fluctuating earnings from year to year, the law allows an unused excess profits credit to be carried over into the two succeeding taxable years. Thus, if a company computes its excess profits credit for 1940 to be $90,000 (before adding the $5,000 specific exemption) and if its excess profits net income amounts to only $60,000, it has an unused credit carry-over of $30,000 which may be applied against 1941 or 1942 excess profits net income, or both. A provision in the Revenue Act of 1941 requires all corporations to recompute their credit carry-over (under either the income or the invested capital method) for the first profits tax year (1940 for companies on a calendar year basis), as if the standing 1941 law applied to 1940.

2. "Simpler" Calculation of Invested Capital

When a workable invested capital calculation cannot be made in the usual way, a special section permits the company to determine its equity capital by adding to the cash of the company all of its other assets and subtracting its debts. In doing that, the assets other than cash must be valued at the basis they would have were loss to be computed upon their sale or exchange.

3. Average Base Period Earnings of Growing Companies

Corporations which experienced rapid growth during the base period, and whose earnings during the latter part of the base period were higher than those during the first half, are permitted to use a special provision which gives greater weight in computing the average to the last half of the base period. This special formula affords a substantial advantage to expanding companies as compared with the use of the level average.

4. Abnormal Deductions in the Base Period

A company using the income method is permitted to increase its base period income by the amount of deductions originally used in ascertaining income for those years in cases where those deductions fall under one of the specific classes mentioned in the statute (particularly losses due to casualties, demolition, theft, abandonment, payment of claims, capital losses and certain development costs), or any other deductions which were abnormally large in those years and can meet the technical requirements of the law. Considerable increases in the income credit may result from an examination of company records in connection with this section and properly supported claims under it.

5. Abnormal Income in the Current Taxable Year

Corporations which received during 1941 abnormal income of an unusual or non-recurring nature which is actually attributable to other years may secure relief under a special provision of the law. There is no necessity to prove that the abnormality creates an exceptional hardship; it is assumed that abnormal income raises the tax unjustifiably and is therefore sufficient reason for claiming relief.

6. Special Relief in Using Constructive Base Period Earnings

Congress recognized that in some cases the base period earnings would not be a true yardstick to determine the normal corporate profit. A special provision therefore grants a measure of relief to companies which either have changed the character of their business, or have experienced some unusual event during the base period which greatly curtailed income. If you qualify under this section you may use a constructive base period income computed under normal conditions. For example, if a plant was destroyed by a fire or wind-storm, or its operations for any year were greatly impeded by a strike, the company may compute its earnings for that year as if it had not occurred. Or if a character of a business during the base period was different from that on January 1, 1940, it may be permitted to establish what the income would have been, if its business had been the same in the base period.

Note that in some instances several kinds of relief may be sought for one year. All six provisions can be used in the effort to secure the highest credit and the lowest income for the current year. These "relief" sections are among the most complicated provisions in a very complicated law. Pleas for "relief" require that the law be studied carefully; they require caution, a great deal of perspiration, detailed computations, and much thought.

These tax figures represent the combined normal, surtax, and excess profits tax. They do not take into account any excess-profits credit carry-over. To determine the total tax payable under either method of computing the excess profits tax—select the table applicable to the method being used;

COMPARISON OF 1940 AND 1941 CORPORATE TAXES

Average Earnings *	When Excess Profit Net Income before Federal Taxes is $25,000		$50,000		$100,000		$300,000		$500,000	
	The Total Federal Taxes on Income, if Excess Profits Tax is Based on Average Earning Credit, Will Be:									
	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940
$5,000	9,759	6,926	25,206	19,475	56,357	43,687	188,409	150,800	326,309	265,612
10,000	8,479	5,739	24,142	18,050	54,882	42,025	186,607	148,900	324,507	263,475
25,000	5,750	4,152	20,425	14,312	50,457	37,175	181,199	143,200	319,099	257,062
50,000	5,750	4,152	15,250	12,000	43,170	30,050	172,272	133,700	310,086	246,375
75,000	5,750	4,152	15,250	12,000	36,615	24,000	164,078	124,200	301,072	235,687
100,000	5,750	4,152	15,250	12,000	30,750	24,000	155,885	114,700	292,060	225,000
200,000	5,750	4,152	15,250	12,000	30,750	24,000	123,110	80,900	256,007	185,500
250,000	5,750	4,152	15,250	12,000	30,750	24,000	108,188	72,000	237,981	166,500
300,000	5,750	4,152	15,250	12,000	30,750	24,000	95,165	72,000	221,335	148,000
400,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	188,560	120,000
500,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	159,580	120,000
700,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
1,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
1,500,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
2,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
2,500,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
3,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
3,500,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
4,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
5,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	154,750	120,000
Invested Capital †	The Total Federal Taxes on Income, if Excess Profits Tax is Based on Invested Capital Credit, Will Be:									
$5,000	10,932	8,014	26,180	20,780	57,708	45,210	190,061	152,540	327,961	267,570
10,000	10,824	7,914	26,091	20,660	57,584	45,070	189,909	152,380	327,809	267,390
25,000	10,501	7,614	25,822	20,300	57,212	44,650	189,454	151,900	327,354	266,850
50,000	9,962	7,114	25,732	19,700	56,591	43,950	188,695	151,100	326,595	265,950
75,000	9,425	6,614	24,926	19,100	55,970	43,250	187,936	150,300	325,836	265,050
100,000	8,900	6,114	24,478	18,500	55,348	42,550	187,175	149,500	325,075	264,150
200,000	6,800	4,152	22,564	16,250	52,865	39,750	184,141	146,300	322,041	260,550
250,000	5,750	4,152	21,460	15,250	51,623	38,350	182,623	144,700	320,523	258,750
300,000	5,750	4,152	20,356	14,250	50,381	37,100	181,105	143,100	319,005	256,950
400,000	5,750	4,152	18,390	12,250	47,897	34,700	178,069	139,900	315,969	253,350
500,000	5,750	4,152	16,458	12,000	45,413	32,300	175,033	136,700	312,933	249,750
700,000	5,750	4,152	15,250	12,000	40,824	27,750	169,340	130,300	306,861	242,550
1,000,000	5,750	4,152	15,250	12,000	34,373	24,000	161,060	120,700	297,753	231,750
1,500,000	5,750	4,152	15,250	12,000	30,750	24,000	147,260	104,700	282,573	213,750
2,000,000	5,750	4,152	15,250	12,000	30,750	24,000	133,460	90,550	267,393	197,500
2,500,000	5,750	4,152	15,250	12,000	30,750	24,000	119,833	77,900	252,213	181,500
3,000,000	5,750	4,152	15,250	12,000	30,750	24,000	107,413	72,000	237,033	165,500
3,500,000	5,750	4,152	15,250	12,000	30,750	24,000	96,373	72,000	223,060	149,750
4,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	209,260	137,750
5,000,000	5,750	4,152	15,250	12,000	30,750	24,000	92,750	72,000	181,833	120,000

* This figure represents the average earnings for 1936 through 1939. The excess profits credit is 95 per cent of this amount, plus $5,000.

† This figure represents the amount of invested capital. The excess profits credit is 8 per cent of this amount (up to $5,000,000), plus $5,000.

"Total Federal Taxes" means the total of normal, surtax, and excess profits taxes.

find the column which corresponds to 1941 earnings; and find the figure in the left-hand column corresponding to the average earnings credit or the invested capital (depending on the table in use). The figure appearing at the intersection of the proper column and line is the total tax payable.

COMPARISON OF 1940 AND 1941 CORPORATE TAXES

Average Earnings *	When Excess Profit Net Income before Federal Taxes is $750,000		$1,000,000		$2,000,000		$3,500,000		$5,000,000	
	The Total Federal Taxes on Income, if Excess Profits Tax is Based on Average Earning Credit, Will Be:									
	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940
$5,000	506,973	414,125	687,973	569,125	1,411,973	1,189,125	2,497,973	2,119,125	3,583,973	3,049,125
10,000	505,007	411,750	686,007	566,750	1,410,007	1,186,750	2,496,007	2,116,750	3,582,007	3,046,750
25,000	499,107	404,625	680,107	559,625	1,404,107	1,179,625	2,490,107	2,109,625	3,576,107	3,039,625
50,000	489,275	392,750	670,275	547,750	1,394,275	1,167,750	2,480,275	2,097,750	3,566,275	3,027,750
75,000	479,442	381,187	660,442	535,875	1,384,442	1,155,875	2,470,442	2,085,875	3,556,442	3,015,875
100,000	469,610	370,500	650,610	524,000	1,374,610	1,144,000	2,460,610	2,074,000	3,546,610	3,004,000
200,000	430,280	327,750	611,280	476,500	1,335,280	1,096,500	2,421,280	2,026,500	3,507,280	2,956,500
250,000	410,615	306,375	591,615	452,750	1,315,615	1,072,750	2,401,615	2,002,750	3,487,615	2,932,750
300,000	392,330	285,000	571,950	430,500	1,295,950	1,049,000	2,381,950	1,979,000	3,467,950	2,909,000
400,000	356,277	245,500	532,620	387,750	1,256,620	1,001,500	2,342,620	1,931,500	3,428,620	2,861,500
500,000	320,225	208,000	494,290	345,000	1,217,290	954,000	2,303,290	1,884,000	3,389,290	2,814,000
700,000	254,675	180,000	420,495	268,000	1,138,630	859,000	2,224,630	1,789,000	3,310,630	2,719,000
1,000,000	232,250	180,000	321,480	240,000	1,020,640	716,500	2,106,640	1,646,500	3,192,640	2,576,500
1,500,000	232,250	180,000	309,750	240,000	823,990	508,000	1,909,990	1,409,000	2,995,990	2,339,000
2,000,000	232,250	180,000	309,750	240,000	646,832	480,000	1,713,340	1,171,500	2,799,340	2,101,500
2,500,000	232,250	180,000	309,750	240,000	619,750	480,000	1,537,390	945,000	2,623,390	1,864,000
3,000,000	232,250	180,000	309,750	240,000	619,750	480,000	1,320,040	840,000	2,406,040	1,626,500
3,500,000	232,250	180,000	309,750	240,000	619,750	480,000	1,147,885	840,000	2,221,810	1,390,500
4,000,000	232,250	180,000	309,750	240,000	619,750	480,000	1,084,750	840,000	2,012,740	1,200,000
5,000,000	232,250	180,000	309,750	240,000	619,750	480,000	1,084,750	840,000	1,628,410	1,200,000
Invested Capital †	The Total Federal Taxes on Income, if Excess Profits Tax is Based on Invested Capital Credit, Will Be:									
$5,000	508,774	416,300	689,774	571,300	1,413,774	1,191,300	2,499,774	2,121,300	3,585,774	3,051,300
10,000	508,609	416,100	689,609	571,100	1,413,609	1,191,100	2,499,609	2,121,100	3,585,609	3,051,100
25,000	508,112	415,500	689,112	570,500	1,413,112	1,190,500	2,499,112	2,120,500	3,585,112	3,050,500
50,000	507,284	414,500	688,284	569,500	1,412,284	1,189,500	2,498,284	2,119,500	3,584,284	3,049,500
75,000	506,456	413,500	687,456	568,500	1,411,456	1,188,500	2,497,456	2,118,500	3,583,456	3,048,500
100,000	505,628	412,500	686,628	567,500	1,410,628	1,187,500	2,496,628	2,117,500	3,582,628	3,047,500
200,000	502,316	408,500	683,316	563,500	1,407,316	1,183,500	2,493,316	2,113,500	3,579,316	3,043,050
250,000	500,660	406,500	681,660	561,500	1,405,660	1,181,500	2,491,660	2,111,500	3,577,660	3,041,500
300,000	498,004	404,500	680,004	559,500	1,404,004	1,179,500	2,490,004	2,109,500	3,576,004	3,039,500
400,000	495,692	400,500	676,692	555,500	1,400,692	1,175,500	2,486,692	2,105,500	3,572,692	3,035,500
500,000	492,380	396,500	673,380	551,500	1,397,380	1,171,500	2,483,380	2,101,500	3,569,380	3,031,500
700,000	485,756	388,500	666,756	543,500	1,390,756	1,163,500	2,476,756	2,093,500	3,562,756	3,023,500
1,000,000	475,820	377,250	656,820	531,500	1,380,820	1,151,500	2,466,820	2,081,500	3,552,820	3,011,500
1,500,000	459,260	359,250	640,260	511,500	1,364,260	1,131,500	2,450,260	2,061,500	3,536,260	2,991,500
2,000,000	442,700	341,250	623,700	491,500	1,347,700	1,111,500	2,433,700	2,041,500	3,519,700	2,971,500
2,500,000	426,140	323,250	607,140	471,500	1,331,140	1,091,500	2,417,140	2,021,500	3,503,140	2,951,500
3,000,000	409,580	305,250	590,580	451,500	1,314,580	1,071,500	2,400,580	2,001,500	3,486,580	2,931,500
3,500,000	394,228	287,250	574,020	432,750	1,298,020	1,051,500	2,384,020	1,981,500	3,470,020	2,911,500
4,000,000	379,048	269,500	557,460	414,750	1,281,460	1,031,500	2,367,460	1,961,500	3,453,460	2,891,500
5,000,000	348,688	237,500	524,340	378,750	1,248,340	991,500	2,334,340	1,921,500	3,420,340	2,851,500

* This figure represents the average earnings for 1936 through 1939. The excess profits credit is 95 per cent of this amount, plus $5,000.

† This figure represents the amount of invested capital. The excess profits credit is 8 per cent of this amount (up to $5,000,000), plus $5,000. "Total Federal Taxes" means the total of normal, surtax, and excess profits taxes.

tries. If that is so, the discrimination against companies using the income credit is not adequately explained except in the fact that the entire alternative process does not have the Treasury blessing.

New capital is limited to money or property paid in for stock and to taxable stock dividends in tax years after 1940. That eliminates the possibility of terming earnings and profits of the year as new capital. It also takes out new borrowed capital from the definition. The Treasury apparently never did approve its inclusion as invested capital.

More Technical

From there on, the new law goes into a lot of highly technical material which will have to carefully watched if you hope to get the increased credit. One of the harsh rules is that all transactions between controlled and affiliated companies (any cases where ownership of 50 per cent of voting stock or total value of stock is present) create no new capital. That will cover tax-free transfers, stock dividends, and any other transactions.

Another well intentioned desire is to prevent new corporations from turning old capital into new capital by paying it out to stockholders to be reinvested by them, and to prevent borrowed capital from being converted to equity capital. But the cure is cruel in its application to most worthy cases. New capital now is to be measured by the excess of the entire capital over the status at the first of the year. Obviously that will not give real credit to much new money that might be brought into business.

Another technical device will require attention. New capital is denied admission to the extent of any increase in inadmissible assets.

The law is well intentioned—it seeks to give a liberal allowance for new capital at a time when it is highly useful to the defense. But it seems to have become involved in too many technicalities to be of use in other than extremely simple organizations.

CLEVELAND'S "INDUSTRIAL FLATS" FROM TERMINAL TOWER—PHOTOGRAPH FROM

FIFTH AVENUE, NEW YORK CITY—PHOTO FROM CUSHING

PRICE CONTROL—
Here and Now

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ALMOST any economist will gladly cite a dozen reasons why price fixing is practically impossible or eventually leads to the death of our rightly beloved style of free competitive economy. Price is correctly enough described as the Barometer of Supply and Demand; and "price-ceilings" are caustically compared to plans for cooling a room by placing an ice-pack on the wall thermometer. Yet an equally imposing array of economists, statesmen and historians can demonstrate that unchecked price inflation could reduce our economy to rubble and revolution.

The country is not faced with that simple choice between good and evil which is the mainstay of classic moral homilies. The alternatives are both bad, akin to most decisions faced by any country forced to prepare its defenses, or to wage war. Confronting this dilemma, the Administration in Washington has chosen to attempt the control of prices, and the inevitable chain of events which follows that choice is expected to be implemented by Congressional action.

At the very beginning of the national defense effort, a Division of Price Stabilization was established, with Leon Henderson at its head, in the National Defense Advisory Commission. In April of this year the price control work was placed under the Office of Price Administration and Civilian Supply (OPACS), with Mr. Henderson still in charge as Price Administrator. Late in August price control was assigned to a separate agency, the Office of Price Administration, again with Mr. Henderson as Price Administrator.

A Review

Such is the scene but not the subject of this analysis. No effort is made here to decide whether prices should be controlled, or what type of administrative plan is most desirable. The object here is to review the moves and orders of the price control agencies to see what sort of pattern they make and what parts of the United States economy are now affected.

Until early in the current year the method of attack was indirect: the attempt was to prevent inflationary rises of prices by encouraging increased production. Obviously if supplies of goods can be maintained, the natural forces of competition will do much to keep prices on an even keel. During the first year of the rearmament effort there was an actual increase in the production of consumers' goods of almost all sorts while industry was simultaneously turning out increased quantities of munitions and beginning to build up capital facilities for further output of armaments.

Price control by direct restraint did not begin in earnest until the current year. Since February restraining measures have been taken against a varied

list of commodities. A review of the measures up to September 30 is presented in the paragraphs which follow.

The earliest positive actions taken to control prices were price schedules for specific commodities or groups of commodities, setting maximum prices above which no producer, dealer, or distributor might sell. By the end of September there had been 31 of these—the first as early as February 17—the thirty-first on September 24; 19 of the 31 were issued during August and September.

Why were these 31 groups of commodities or products singled out for price action? Was it the percentage of price increase which took place before the imposition of the schedules?

Examination of such increases shows no uniformity either in the gains between the outbreak of the war and the beginning of the American defense effort, or in the gains from the latter date to the date of each price schedule. Increases after June 1940 range from 1.7 per cent for iron and steel products up to 98.4 per cent for cottonseed oil, and compare with a 16.5 per cent increase in all wholesale prices. Obviously the amount of increase was not the standard used for establishing price schedules.

A quite probable explanation seems to be that price ceilings were imposed in those instances in which supplies could not be readily increased even by substantial price advances. Many of them, such as hides and scrap metals, are joint products or by-products, and their production is dependent not on the price to be obtained for them but on the output of some other commodity or product. Others, such as raw silk, raw cane sugar, pig tin, and burlap, come from other countries and the domestic supplies are at present limited by the amount of available shipping space.

The supplies of other products—such as iron and steel, copper, formaldehyde, or Pennsylvania crude oil—cannot be further increased in response to higher prices because these industries are already operating at capacity.

There were, however, other reasons for the selection of some of the commodities or groups of commodities for which price schedules have been issued. In cotton textiles, for example, productive facilities were considered adequate for any expected consumer demand. It was believed by OPACS that there had been excessive speculation in this field, and that speculators were withholding supplies from the market in the attempt to push prices higher. The cotton yarn and gray goods price schedules were established, then, not because of shortages but to prevent needless speculative activity.

Several motives were apparent in some of the price schedules. As previously mentioned, the supply of hides would not have been greatly increased by higher prices. Moreover, earlier advances in hide prices had been reflected in the prices of shoes. Shortly before the announcement of the ceiling, the Army had refused all bids submitted on a proposed shoe contract.

Much the same situation was described in the announcement of the price schedule on washed cattle tail and Winter hog hair. It was pointed out not only that supplies were limited but also that price increases had occurred which "if continued would unjustifiably increase the cost of naval mattresses and supplies under the Lease-Lend Act...."

Metals Aspect

As might be expected, the largest single group of price schedules has to do with metals. Moreover, the ten schedules in this group do not indicate the full extent of price control over metals because a number of the primary metals (such as aluminum and nickel) are effectively controlled without formal OPA action through agreements or understandings between the Government and the larger producers.

Virtually all of the price schedules thus far issued cover raw materials or materials in an early stage of manufacture. Nevertheless, most of the price schedules are so drawn that they could be applied to any purchaser of the commodity whether at wholesale, retail, or otherwise. Most of them provide simply and inclusively that "no person" shall buy or sell at prices higher than those specified. The bituminous coal schedule was the most inclusive in its provision that "no person selling bituminous coal, whether producer, distributor, retailer, or any other seller" shall sell at prices higher than those established.

A notable exception is found in an amendment to the price schedule covering cotton gray goods, which specifically excepts from its provisions all sales except those by manufacturers or those to converters, in these words, "The prices established herein are not applicable to sales or deliveries of cotton gray goods made by any wholesaler, jobber, or retailer in the performance of a recognized distributive function."

There is a good deal of variation in the bases on which maximum prices are fixed in the different schedules. Only three of the schedules (those covering bituminous coal, iron and steel products, and pig iron) base the maximum prices on the level prevailing on a given day. In most of the schedules, the maximum prices set consist of a list of prices to be paid at various delivery, consuming, or basing points for various grades of the product.

Thus far, the schedules established cover commodities and products in fields where there is considerable information available concerning prices. As attention is turned to fields where detailed price information is hard to get, the complexities and difficulties of price control will multiply.

An illustration of the complexity of price fixing is furnished by the price schedule for iron and steel scrap. Since this schedule was issued on April 3 it has been amended, revised, or modified nine times. Most of these amendments involve changes or revisions in the prices themselves.

The original schedule covered six different grades of railroad scrap and sixteen grades of other scrap. Prices were established for each of these

I. Price Schedules and Typical Price Comparisons

The price figures used are from the U. S. Bureau of Labor Statistics except where otherwise specified

Price Schedule Number	Date Issued 1941	Title of Schedule	Price Change–Per Cent: August 1939 to June 1940	Price Change–Per Cent: June 1940 to Date of Schedule	Grade or Product Used for Price Comparisons
1	Feb. 17	Second-hand Machine Tools	..[1]	..[1]	.....[1]
2	Mar. 24	Aluminum Scrap and Secondary Aluminum Ingot	+ 5.2	+ 22.3	Aluminum clippings, N. Y.[2]
3	Mar. 31	Zinc Scrap Materials and Secondary Slab Zinc	+42.6	+134.1	Old zinc[2]
4	Apr. 3	Iron and Steel Scrap	+23.7	+ 4.9	No. 1 heavy melting steel, Pittsburgh[2]
5	Apr. 2	Bituminous Coal	− 0.3	+ 4.8	Bituminus Coal Index
6	Apr. 16	Iron and Steel Products	− 0.8	+ 1.7	Iron and Steel Index
7	May 23	Combed Cotton Yarns	− 1.0	+ 67.5	Yarn, carded, mill; Northern, 10/1, cones[3]
8	May 29	Pure Nickel Scrap, Monel Metal Scrap, Stainless Steel Scrap, Nickel Steel Scrap and Other Scrap Materials Containing Nickel, Secondary Monel Ingot, Secondary Monel Shot, and Secondary Copper Nickel Shot	+31.9	..[4]	Nickel sheets and clippings[2]
9	June 13	Hides, Kips, and Calfskins	+ 6.1	+ 37.2	Hides and Skins Index
10	June 24	Pig Iron	+ 9.8	+ 4.5	Pig iron, basic, furnace
11	June 27	Cotton Grey Goods	+ 4.4	+ 38.3	Cotton Goods Index
12	July 21	Brass Mill Scrap	+ 8.4	+ 41.3	Heavy yellow brass[2]
13	Aug. 1	Douglas Fir Peeler Logs and Douglas Fir Plywood	+ 6.3	+ 38.2	Boards and shiplap, No. 2 common[5]
14	Aug. 2	Raw Silk and Silk Waste	+ 4.1	+ 11.5	Silk Index
15	Aug. 12	Copper	+10.0	+ 5.2	Copper, electrolytic, delivered Conn. Valley
16	Aug. 13	Raw Cane Sugars	− 5.3	+ 37.0	Raw sugar, 96°
17	Aug. 15	Pig Tin	+11.1	− 1.1	Tin, pig, N. Y.
18	Aug. 15	Burlap	+39.3	+ 81.2	Burlap, 10½ oz., 40 in., N.Y.
19	Aug. 16	Southern Pine Lumber	+ 4.1	+ 58.6	Yellow pine boards, No. 2 common
20	Aug. 18	Copper Scrap	+11.3	+ 24.2	No. 1 copper wire[2]
21	Aug. 20	Formaldehyde	− 4.4	0.0[6]	Formaldehyde, barrels, carlots, f.o.b. works
22	Aug. 22	Pennsylvania Crude Oil	+18.8	+ 18.1	Petroleum crude, Pa.
23	Aug. 23	Rayon Grey Goods	− 1.4	+ 31.6	Pigmented taffeta, twills, acetate satins[7]
24	Aug. 25	Washed Cattle Tail Hair and Winter Hog Hair	..[8]	..[8]	.....
25	Aug. 28	Elimination of Speculative and Inflationary Price Practices with Respect to Fats, Oils, and Their Products	+ 9.0	+ 98.4	Cottonseed oil, N. Y.[9]
26	Sept. 11	Douglas Fir Lumber	+ 6.3	+ 38.2	Boards and shiplap, No. 2 common
27	Sept. 11	Anthracite	+ 6.9	+ 8.0	Anthracite Coal Index
28	Sept. 15	Ethyl Alcohol	+ 1.1	+ 32.8	190 proof, drums, carlots, f.o.b. N. Y.
29	Sept. 18	By-Product Foundry and By-Product Blast Furnace Coke	+ 7.7	+ 9.5	Coke, by-product, Chicago
30	Sept. 18	Waste Paper Sold East of the Rocky Mountains	+55.2	+ 35.6	Old waste paper, No. 1 mixed, f.o.b. N. Y.[10]
31	Sept. 24	Acetic Acid	0.0	0.0[11]	99.5 per cent, glacial, synthetic, delivered
		All Commodities	+ 3.3	+ 12.4[12]	Wholesale Price Index

[1] No published prices for second-hand machine tools are available. The announcement said: "In many instances the price asked for second-hand tools exceeds current prices for new ones." [2] Prices from *American Metal Market*. [3] Carded yarn usually sells in fixed relation to combed cotton yarn. [4] Last published price, other than nominal quotations, appeared February 28, 1941. Increase to that date was 5.7 per cent from June 1940. [5] The price of Douglas fir lumber is used as a reflection of Douglas fir plywood, the price of which is not available. [6] The price schedule announcement said that action was necessitated by "the exploitation of civilian users of formaldehyde by certain dealers who have been charging as much as 47 cents per pound against manufacturers' prices of 6 cents per pound for comparable quantities." [7] Prices are from *Journal of Commerce* (N. Y.). [8] The price schedule announcement said: "While there is no established market for either commodity, bids recently received by the Procurement Division of the Treasury Department for Winter hog hair ranged from 10 to 13½ cents per pound, whereas last Winter and Spring price quotations on this commodity ranged between 6¾ to 8½ cents per pound." [9] The advance in the price of cottonseed oil gave rise to this schedule. [10] Prices are from *Paper Trade Journal*. [11] The price schedule announcement said: "The tank car price of synthetic glacial acetic acid in the third quarter of 1941 was approximately 20 per cent higher than in the second quarter." [12] To June 1941.

II. Commodities Covered by Price Schedules

(By Industry Groups; February 27 – September 30, 1941)

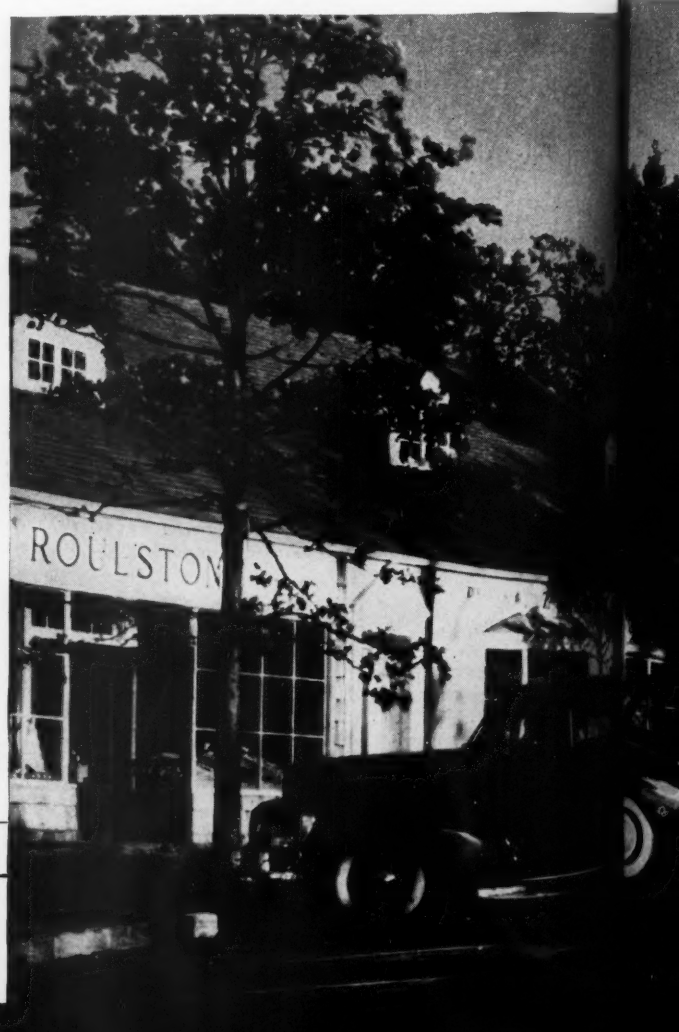
Farm Products	Foods	Building Materials	Chemicals	Fuels	Hides and Leather	Metals	Textiles	Miscellaneous
Raw sugar	Fats and oils	Southern pine lumber	Formaldehyde	Pennsylvania crude oil	Hides	Copper	Raw silk	Animal hair
		Douglas fir plywood	Alcohol	Bituminous coal		Tin	Combed cotton yarn	Second-hand machine tools
		Douglas fir lumber	Acetic acid	Anthracite		Pig iron	Cotton gray goods	
				By-product coke		Aluminum scrap	Burlap	Waste paper
						Zinc scrap	Rayon gray goods	
						Iron and steel scrap		
						Nickel scrap		
						Brass mill scrap		
						Copper scrap		
						Iron and steel products		

grades in thirteen districts or "consuming points." Thus the schedule established a total of 286 individual prices.

A revision on May 7 raised the total of individual maximum prices established to 1,000. But an amendment on June 18, eliminating special prices for scrap for export and substituting "basing points" for "consuming points," reduced the total to 870 items. On August 8 the schedule was amended again, this time to cover a total of 958 items. On August 27, Cincinnati was added as a basing point for 25 grades of iron and steel scrap, thus raising the total number of items in this schedule to 983.

Compare this with the apparent simplicity of the bituminous coal schedule adopted April 2. It provides that "on or after April 3, 1941, no person selling bituminous coal, whether producer, distributor, retailer, or any other seller, shall sell or deliver bituminous coal, or offer to sell or deliver bituminous coal, at a price exceeding the ceiling price. The ceiling price shall be the price received by such seller for a similar sale or delivery made on March 28, 1941. A similar sale or delivery shall refer only to a sale or delivery involving the same size and quality of coal, the same intended use, the same or nearby delivery and transportation points, and the same method of transportation."

The bituminous coal schedule was



unique in another respect. The actual prices on March 28, 1941, which constituted the *maximums* established, were approximately the same as the *minimum* prices fixed by the National Bituminous Coal Commission. While the schedule was in effect, bituminous coal producers were thus in the position of being able to charge no more than prices originally established as approximately allowing recovery of average costs.

There is an interesting variety in the way different schedules affect existing contracts. A few of them state simply that "on and after the effective date" prices for a given product shall not exceed those set forth in the schedule. Most of them specify that "regardless of the terms of any contract of sale or purchase or other commitment entered into prior to the date of the schedule," no future transactions shall be consummated at prices higher than those provided.

The schedule for iron and steel products is a conspicuous exception. It provides that "nothing herein contained shall be construed to alter or modify the terms of any contract entered into prior to the issuance of this price schedule."

There are, of course, numerous fields in addition to those covered by price schedules in which prices have advanced and in which OPACS has attempted to restrain the advance by methods which the Administrator describes as "jawbone control." These methods include:

1. Direct requests to some leading producers not to advance prices and to others to withdraw advances already announced. This has been the most frequently used technique; such appeals have been made to producers of farm implements, machine tools, kraft paper, ammonium sulfate, plywood, furnace oil, automobiles, bread, petroleum products in general, industrial solvents, railroad car wheels, and carbon black. It was a conspicuous failure in a few instances—notably when the Chrysler Corporation refused to cancel its proposed advance in prices on cars and OPACS therefore withdrew its request to other car producers that their advanced prices be cancelled.

2. Declarations that unless an industry mends its ways and keeps prices down, a price schedule will be imposed. This was one of the earliest methods employed and it proved effective in April with lead and with cadmium. However, cadmium producers were warned again early in September against unreasonable advances in prices. In the last few months, such warnings have been less frequently used, and actual price schedules have been more freely employed.

3. Attempts to restrain speculation in certain commodities on the exchanges by:

A. Establishment of maximum prices for futures contracts.
B. Increases in margin requirements.
C. Discouragement of speculative accounts.
D. Liquidation of open positions.
E. Suspension of trading.
F. Review of market letters.

One or more of these have been employed at times in connection with cocoa, coffee, copper, pepper, rubber, and sugar. Nevertheless, it was eventually found necessary to impose actual price ceilings on copper and sugar.

4. The publication of a list of "suggested" prices which are the equivalent

STONY BROOK, N. Y.—PHOTO FROM CUSHING

of a price schedule, but which "save face" for the industry by making the action informal. This was done with copper and brass but price schedules on copper and on brass mill scrap later proved to be necessary.

5. Voluntary price agreements by the leading members of an industry, approved by OPACS. This is another face-saving device which is the equivalent of a price schedule. It was tried out with waste paper for four months but the Office of Price Administration then placed a price ceiling on these products. The voluntary agreement method had not proved effective in restraining prices of waste paper.

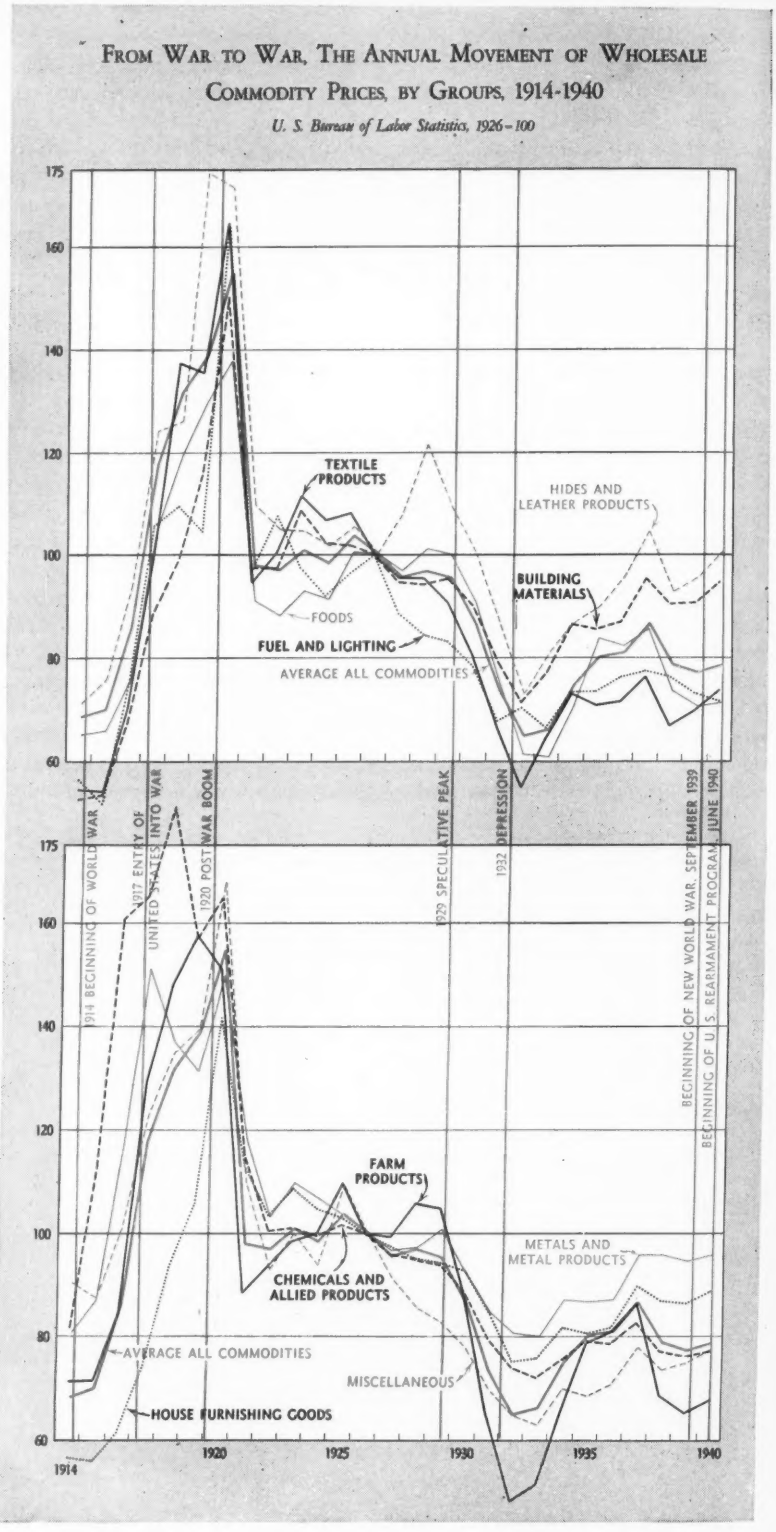
6. Conferences with representatives of leading companies in an industry over the uptrend of prices noted. This has been used chiefly in connection with gasoline, crude oil, and canned salmon.

7. Intervention before a regulatory body in opposition to proposed price increases requested by an industry. In April, OPACS filed a brief with the Interstate Commerce Commission protesting successfully against a proposed increase in steamship rates on Douglas fir. In June the Price Administrator wrote Secretary of Agriculture Wickard opposing the request of the Maryland and Virginia Milk Producers Association for an increase in the price of fluid milk.

8. Attempts to discourage the practice of taking "open" orders for future delivery at the prices prevailing at time of delivery. This practice was prevalent for a time in the furniture industry.

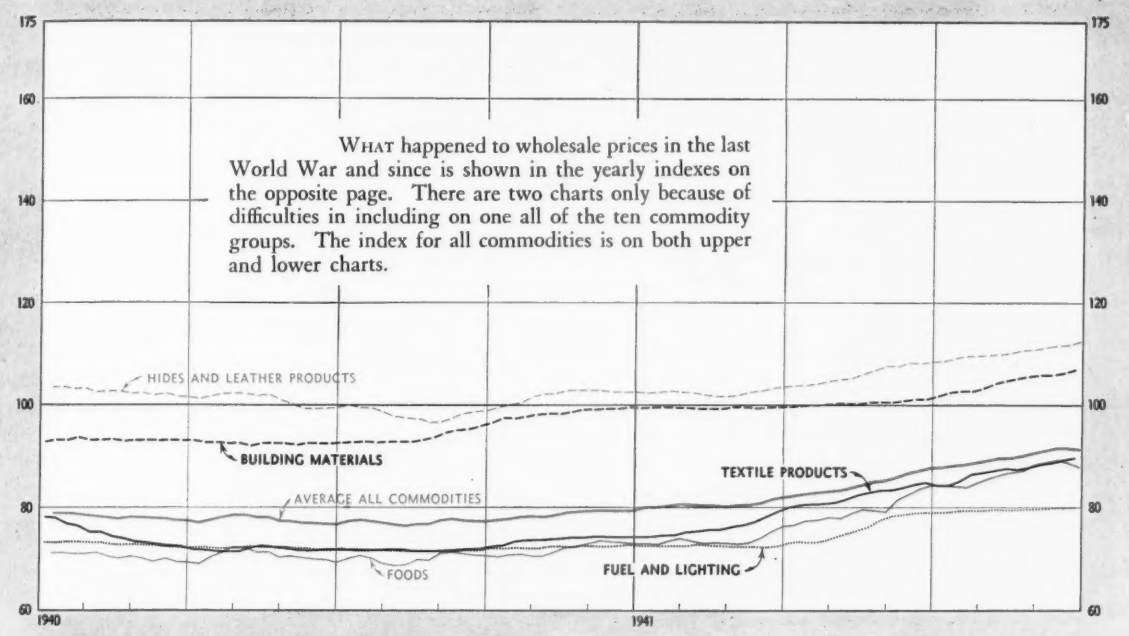
9. Organization of Fair Rent Committees in various municipalities (21 to date) to help stabilize rents in defense areas.

There have been about as many of these informal sorties against rising prices as there have been formal price schedules. One argument in favor of voluntary agreements or other cooperative means of restraining prices is that they require no enforcement machinery. This is important because, under present legislation, all that OPA

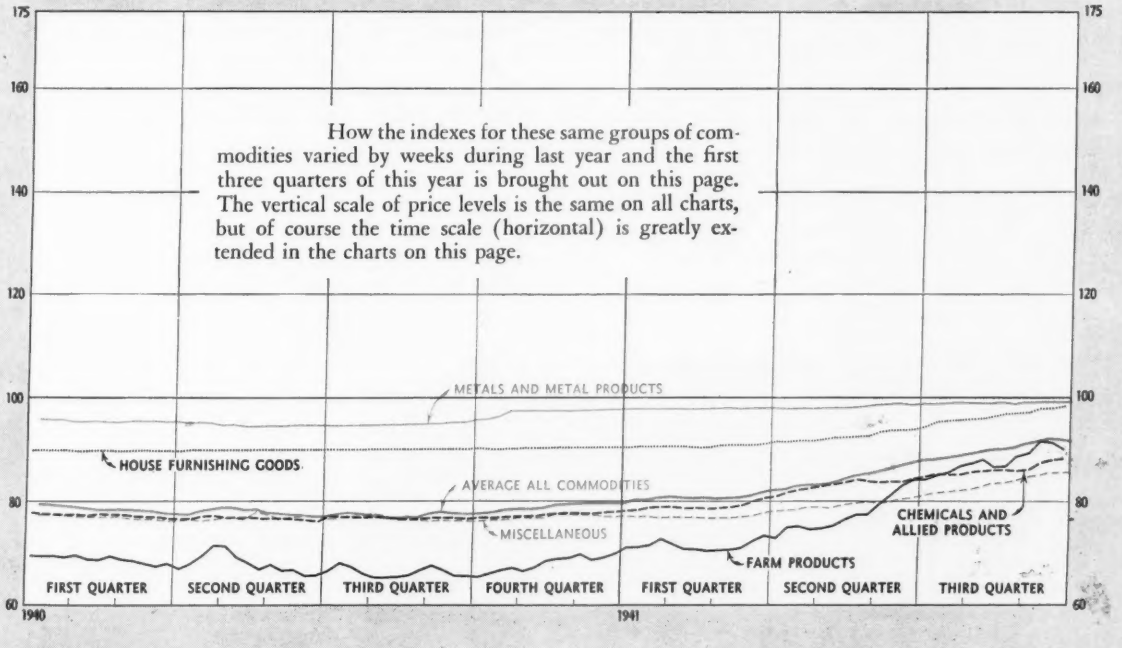


Weekly Index of Wholesale Commodity Prices by Groups, Present War

U. S. Bureau of Labor Statistics, 1926=100



What happened to wholesale prices in the last World War and since is shown in the yearly indexes on the opposite page. There are two charts only because of difficulties in including on one all of the ten commodity groups. The index for all commodities is on both upper and lower charts.



How the indexes for these same groups of commodities varied by weeks during last year and the first three quarters of this year is brought out on this page. The vertical scale of price levels is the same on all charts, but of course the time scale (horizontal) is greatly extended in the charts on this page.

is empowered to do to a producer or dealer who refuses to abide by a price schedule is "make every effort to assure:

"A. That the Congress and the public are fully informed of this refusal;

"B. That the powers of the Government are fully exerted in order to protect the public interest and the interest of those persons who conform."

There are as yet no enforcement officers to detect and to report violations, although there are reports that the Administrator hopes eventually to recruit a force of at least 1,500 "price spotters" located throughout the country. In the meantime all persons who know of evasions of price schedules have been invited to communicate with the Office of Price Administration, thus making everyone interested in a given commodity a self-appointed policeman.

It has not thus far been especially practical to use the power of the priorities system as a means of enforcing price ceilings, although almost half of the commodities covered by price schedules were on the priorities critical list at the time the respective schedules were issued.

As Stimulation

Another deterrent to the widespread use of price schedules and other restraints on prices has unquestionably been the desire to permit price increases to exercise a stimulating effect on production wherever possible. Not until production begins to lose out in the race with prices is there an attempt to restrain prices.

Then, too, common sense discourages the use of price schedules needlessly. Most such schedules require that monthly reports listing all transactions be submitted by buyers and by sellers of the commodity covered by the schedule. Obviously such reports could become a great burden, both to industry and to government.

The Office of Price Administration has perhaps been restrained from using price schedules more freely by the difficulty it has had in tailoring them to fit the complications of daily transactions. Many of the price schedules so far issued have required numerous changes. For example, the schedule for iron and steel scrap was amended no less than nine times to September 30, as mentioned above; that covering aluminum scrap was amended four times; three amendments were required both on combed cotton yarns and on cotton gray goods; the second-hand machine tools schedule and those covering hides and nickel scrap were each amended twice; and iron and steel products, copper, and Southern pine lumber schedules have each required one amendment. Most of these amendments have taken the form of revisions upward or downward (usually upward) in the prices originally established, the removal of certain items from the schedule, or the widening or narrowing of the scope of the schedule.

As yet, neither "vertical" control of prices (from raw materials to retail markets) nor "horizontal" control (regulation of competing commodities) has proceeded far in the United States. The only examples of "vertical" regulation are in iron and steel, where the control proceeds from pig iron to iron and steel products, and in cotton goods, where the schedule covering combed cotton yarn was followed by a schedule covering cotton gray goods.

Horizontal Control

"Horizontal" price control might be said to exist in every field where a price schedule has been established for scrap metal, since prices of virgin metal (with which scrap usually competes) were already under control by direct agreement in each of these fields.

A clearer example of "horizontal" control is found in the field of textiles. It was necessary to widen the schedule on gray goods to include fine cotton goods. Furthermore, it was announced that maximum prices would be established on carded cotton yarn because such yarn usually sells in a certain relation to combed yarn and because that relationship has changed since the issuance of the price schedule for combed cotton yarn.

A more recent example occurred in lumber. On August 16, Price Schedule 19 was issued covering Southern pine lumber, effective September 5. As early as September 11, it became necessary to issue a price schedule covering Douglas fir for the announced reason that, since Douglas fir is the chief competitor of Southern pine in Eastern and Middle West markets, "to impose maximum prices on Southern pine and leave Douglas fir prices unrestricted would seriously disrupt the lumber markets."

In general, OPA seems to have been careful to avoid fields in which any considerable amount of horizontal or vertical control might be required. For example, the Administrator announced on June 27 that the price of cottonseed oil was receiving attention and that "after a check is made on present holdings, ceiling action is planned." But on August 29, OPA announced that ceiling action would not be taken, and issued Schedule 25 (establishing not maxi-

EAST SIDE, NEW YORK CITY—PHOTO BY ELIZABETH R. HIBBS

III. Wholesale Index Prices by Major Commodity Groups, Selected Months, 1914-1941

U. S. Bureau of Labor Statistics, 1926 = 100

Date	All Commodities	Farm Products	Foods	Hides and Leather Products	Textile Products	Fuel and Lighting	Metal and Metal Products	Building Materials	Chemical and Allied Products	House Furnishing Goods	Miscellaneous
July 1914	67.3	71.4	62.9	69.7	55.3	55.7	79.1	52.9	77.9	56.7	88.1
Apr. 1917	114.1	125.1	102.1	127.9	88.1	99.9	150.9	87.0	156.5	70.0	124.7
May 1920	167.2	169.8	147.3	193.2	188.3	159.8	155.5	164.4	173.7	143.3	176.5
July 1929	96.5	107.6	102.9	109.1	89.6	83.3	101.0	95.1	93.3	94.3	82.8
Dec. 1932	62.6	44.1	58.3	69.6	53.0	69.3	79.4	70.8	72.3	73.6	63.4
Aug. 1939	75.0	61.0	67.2	92.7	67.8	72.6	93.2	89.6	74.2	85.6	73.3
June 1940	77.5	66.2	70.3	99.2	72.6	71.4	94.7	92.4	76.1	88.5	77.3
Aug. 1941	90.3	87.4	87.2	110.2	88.3	79.0	98.6	105.5	86.0	95.4	83.7

mum prices but regulations to "eliminate speculative and inflationary price practices") covering fats and oils and their products. This schedule prohibited, among other things, purchases or sales of any fats or oils unless such transactions involved: 1. Further processing, or 2. Some recognized distributive function.

In the statement accompanying this schedule, the Administrator pointed out that there are approximately 1,800 fats and oils. "Intensive study of the problem, including exhaustive field investigations, has made it clear," he said, "that ceiling action on cottonseed oil that did not extend to competitive fats and oils would be unwise and discriminatory."

He added: "Consideration has been given to the fact that cottonseed is the source of the only unpledged income of a large number of small producers. Today's action will permit them to sell this year's crop at prices which represent a fair, proper relation to other fats and oils or oil-bearing products."

On September 12 the Administrator issued a statement to the effect that Schedule 25 did not apply to trading in fats and oils futures on commodity exchanges.

The difficulties that were apparently encountered in connection with cottonseed oil, and for that matter are still being encountered, illustrate the magnitude of the task of "horizontal" price control.

In June Mr. Henderson pointed out in a review of the activities of his office that OPACS had not thus far found it necessary to impose any price schedule on "normal consumers' goods." None was in effect at that time. The only one that has since been issued was that on anthracite coal and it was revoked within a few days.

Probably the nearest that OPA has come to imposing price regulations on other consumers' goods was the publication in August of a list of "fair" retail prices for gasoline in various cities and sections.

It has also not as yet imposed any price ceilings on domestic farm products, although it came close to doing so in connection with cottonseed oil. On the other hand, it has helped to hold down farm costs by a letter to farm machinery manufacturers, asking them not to advance prices.

Schedule Coverage

The 31 price schedules issued by OPA up to September 30 cover commodities which normally have a total annual value of slightly over $8,000,000,000. Commodities whose prices have been restrained by less formal methods and by direct agreement or understanding with the Government, total almost $9,000,000,000 more. Thus it may be said that products worth at least $17,000,000,000, or more than one-fourth of the normal annual value of manufacturing and mineral production in the United States (about $61,000,000,000) are under some form of price restraint.

Whether price schedules have actually restrained price advances is a question that cannot be answered statistically. Obviously those who do not conform to the price schedules will not advertise their non-conformance by publishing prices higher than those specified in the schedules. And of course, no one can say where prices would now be if no ceilings had been imposed.

The phase of price control by means of indirect action, price schedules without teeth, and voluntary agreements restricting prices, appears now to be nearing its end. An Emergency Price Control bill was introduced in Congress on August 1, which would: (1) give the President power to establish maximum prices; (2) set July 29, 1941, as the date to be taken into consideration in establishing such prices; and (3) prescribe penalties for persons failing to observe these prices. Obviously such legislation would place OPA activities on a much firmer legal basis. It will, however, leave the difficult problem of enforcement still unsolved. Perhaps that is the reason that OPA officials have indicated in recent speeches that even when the Emergency Price Control bill becomes law, their office will continue to place its major emphasis on voluntary co-operation in attempting to control price.

PHOTOGRAPH FROM PATHESCOPE COMPANY OF AMERICA

THE BUSINESS MOVIE INDUSTRY

What it is and Who Uses it

DWIGHT L. WARDELL
Assistant Editor, DUN'S REVIEW

ALTHOUGH some of the first motion pictures from Thomas A. Edison's laboratory were produced for advertising purposes in the late '80's and the '90's, and in 1890 Dewar's scotch whiskey was advertised by movies made in England, the making and distributing of motion pictures for business uses has been characterized as the industry which never grew up. Rather, it grew, ameba-like, by fission of its units before any achieved dominant status.

The most optimistic guesses of total annual volume in the industry, including purchases of equipment to be used in showing business pictures, range no higher than $30,000,000, this despite the fact that the modern type of industrial movie has been used successfully since National Cash Register Company and International Harvester Company, among others, pioneered it in 1910 and 1911.

Potential but as yet unrealized volume in billings for circulation of short ads displayed in theaters was estimated last year at $20,000,000.[1] The actual amount for distribution of this and other types of business movies through theatrical channels alone was later put at $7,500,000.[2] For the cost of distributing films to audiences outside of theaters—clubs, conventions, schools—no estimate is made. Capital invested in non-theatrical production is given as $10,000,000.[2]

The number of recognized industrial and advertising film producers in the United States is 113.[3] Major producers in this field maintain a selling force, a creative staff, and have financial responsibility. Some operate as branches of more profitable enterprises, such as sound recordings, lecturing, or processing film. To these established producers the bane of the industry is the willingness of anybody with a camera and some bright lights to make a film.

Were it not for the unques-

[1] *Advertising & Selling*, October, 1940, page 21.
[2] *Advertising & Selling*, February 13, 1941, page 209.
[3] *Film Daily Year Book*, 1941, page 35.

"CHRONOKINOGRAPHY" MOTION PICTURE USED BY JAM HAND ZATION TO ILLUSTRATE MOTION OF THE WHEELS OF A

tioned power and authority of the sound motion picture as a purveyor of ideas, the jumbled mathematics of business movie statistics would seem hardly worth untangling. Published tabulations of films produced, for example, do not distinguish clearly between three different pictures and one picture duplicated in three film widths. Pictures made are often lumped with pictures distributed, and some of the largest companies give no total for either. Definitions of different types of pictures are unclear and overlapping. The costs of distribution can vary from three-fourths of a cent to as much as twenty cents or more per person.

In this morass, some points of firm ground stand out, the most apparent being the blue ribbon list of American corporations which use business movies. Some have been doing it for 25 or 30 years and include the motion picture as a part of their regular advertising, public relations, and employee training programs. Some plan several pictures a year and route them through distributors to the desired audience, just as magazine advertisements are placed for readership by specific groups.

As much as $250,000 has been spent on a single industrial, even an entire symphony has been written for one. Average costs, however, are in the neighborhood of $500 for a minute movie, $7,000 for a reel of black and white in sound. However, the figures may be far smaller when stock properties, stock pictures of crowds, and other short cuts are permitted. In practice, since the business movie is inevitably compared by audiences with the best of Hollywood entertainment, cut-price productions aren't considered good economy. Effectiveness of a picture is the measuring stick.

When a film is to be made, the favored procedure is for the sponsoring company to turn the problem over to a small committee, to which authority for decisions is given. The committee supplies factual material in full and company policies. Writing talent, stage technique, and photography are the job of the producer's organization.

In producing a business movie or in studying the subject a knowledge of terms is essential. For instance, business motion pictures are called non-theatricals in statistical tables. This distinguishes them from the Hollywood entertainment feature, even though they're sometimes made by a Hollywood firm and shown in a theater. Non-theatrical films include news reels and some major theatrical entertainment pictures which have been reprinted on a narrower film width and released for rental to home projectors by film libraries.

The producers of business movies rarely describe their products as non-theatrical films. They refer to them as advertising films, or industrials, institutionals, educational films, or even, in rare instances, as documentaries. For the latter two terms, there are literally no agreed-upon definitions, while for the first three there are two possibilities: three different kinds of picture, or one

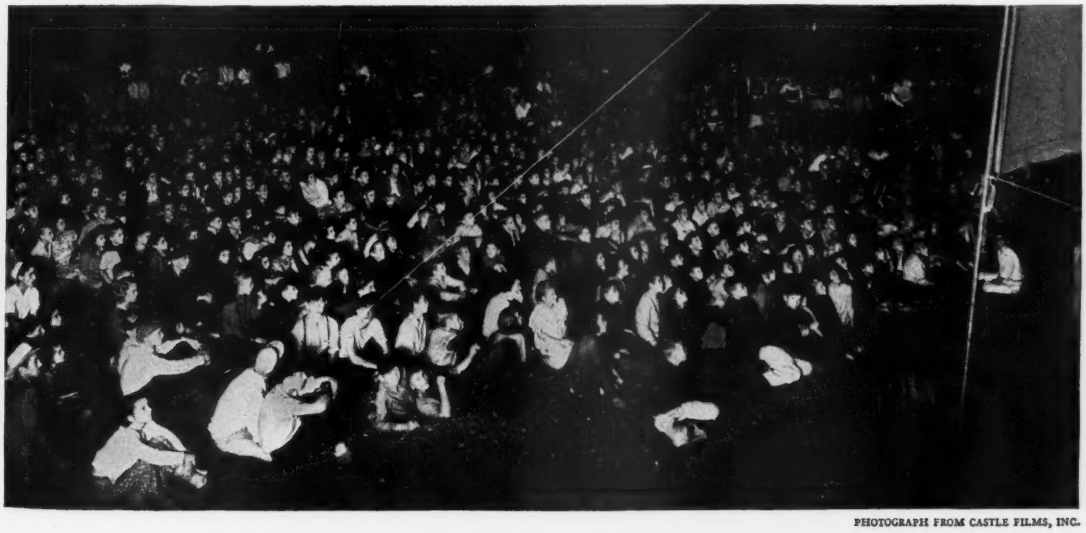
I. Cost of Film Produced and Processed for Non-Theatrical Use, 1939

U. S. Bureau of the Census

	1939
Advertising films, total	$1,702,880
Color process	960,730
Black and white	742,150
Educational, total	725,927
Color process	117,767
Black and white	608,160
Industrial, total	2,149,456
Color process	304,611
Black and white	1,844,845
News reels	4,440,895
Other non-theatricals*	1,425,899
Unfinished non-theatricals	542,968
Total cost, non-theatrical films, finished and unfinished	$10,988,025

* Advertising trailers, slide films, animated cartoons.

A movie audience sits on the grass in the Ohio town of Genoa, population 1,500, and watches an industrial picture projected on a portable screen mounted on long poles, as arranged for by a distribution agency.



PHOTOGRAPH FROM CASTLE FILMS, INC.

picture as described by the salesman, by the film distributor, and the public relations department. The same subject could actually be produced so differently that it would fit each of these five classifications.

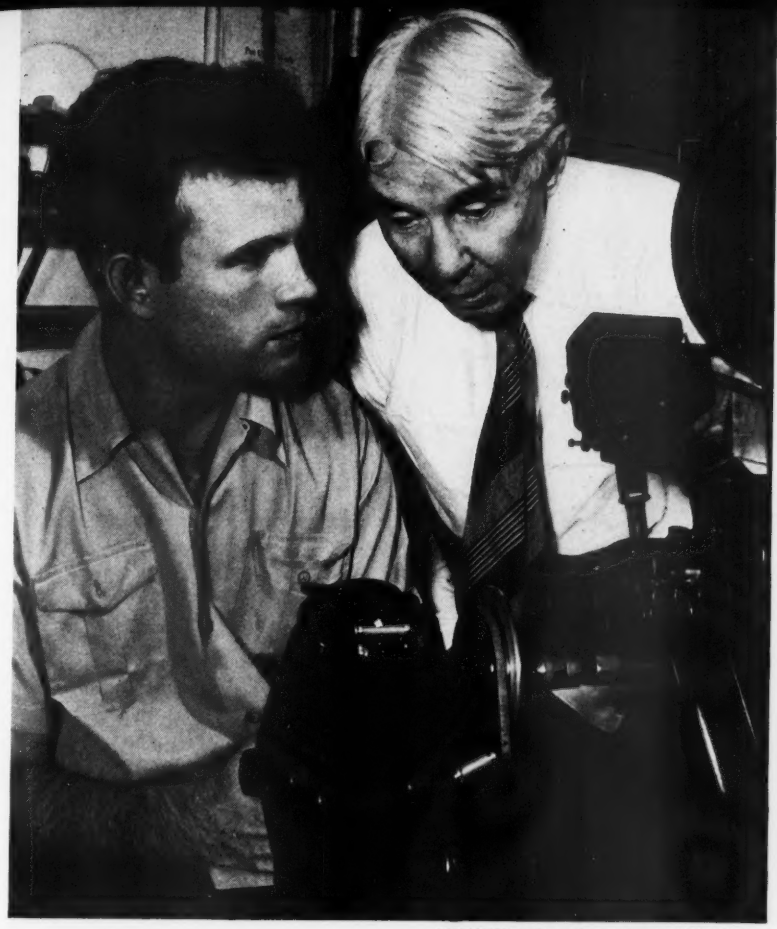
From this it becomes apparent that what you call a business motion picture often depends on what you want it to do as a user, or what you think it does as a consumer. Many pictures which a manufacturer considers educational never see a school room because educators are fearful of presenting so-called advertising films even though they fit perfectly into the school curriculum. Some notion of the opportunity in this kind of film, and of what teachers do consider educational comes in a statement of Mr. George Zehrung, Director of the YMCA Motion Picture Bureau.

"If manufacturers made their pictures as illustrations of things taught in school, rather than as a pictorial record of how their product is made or used, the results would be 'Must use!' in thousands of schools."

II. Non-Theatrical Outlets for the Industrial Movie; by State and Type of Audience

YMCA Motion Picture Bureau, May 1, 1941

State	Colleges	High Schools	Grade Schools	Churches	Clubs	Industries	YMCA's	Other Organizations	Total
Alabama	14	55	27	12	5	3	1	21	138
Arizona	8	51	17	12	3	..	4	11	106
Arkansas	9	39	32	9	7	7	1	23	127
California	48	261	229	52	53	55	29	54	781
Colorado	6	33	29	9	10	6	4	19	116
Connecticut	11	116	38	17	16	10	12	31	251
Delaware	2	5	24	1	5	4	1	..	42
District of Columbia	7	8	3	3	2	4	..	21	48
Florida	8	77	25	5	5	5	1	21	147
Georgia	8	41	24	11	6	2	2	10	104
Idaho	2	40	9	5	3	3	1	4	67
Illinois	56	253	212	171	108	113	35	120	1,068
Indiana	22	180	163	82	25	34	26	56	588
Iowa	19	55	125	42	18	10	9	11	289
Kansas	13	71	66	12	15	4	6	20	207
Kentucky	10	58	13	24	7	12	1	12	137
Louisiana	14	68	26	12	9	14	9	7	159
Maine	5	45	12	4	11	5	6	5	93
Maryland	10	38	25	10	8	6	5	12	114
Massachusetts	24	121	52	38	39	39	18	23	354
Michigan	23	218	260	64	54	56	24	123	822
Minnesota	23	91	78	19	12	27	10	31	291
Mississippi	5	15	19	10	9	4	2	5	69
Missouri	27	54	71	16	15	21	8	3	215
Montana	12	34	35	3	3	2	..	13	102
Nebraska	11	40	45	15	7	17	3	19	157
Nevada	1	8	14	1	..	..	..	4	28
New Hampshire	7	20	3	3	5	3	2	9	52
New Jersey	11	121	138	47	27	39	26	47	456
New Mexico	5	29	15	1	8	..	1	7	66
New York	55	344	374	140	117	153	64	127	1,374
North Carolina	23	70	74	11	7	7	8	12	212
North Dakota	5	15	20	8	8	..	..	5	61
Ohio	32	272	367	66	74	70	39	51	971
Oklahoma	24	102	68	15	18	17	3	10	257
Oregon	9	43	28	4	5	5	2	3	99
Pennsylvania	42	261	161	46	72	75	47	59	763
Rhode Island	2	16	12	4	5	3	2	4	48
South Carolina	6	26	25	3	..	3	1	5	69
South Dakota	6	27	23	8	4	1	3	15	87
Tennessee	20	60	29	6	4	14	6	24	163
Texas	34	101	164	36	9	15	10	24	393
Utah	5	23	10	1	..	..	..	5	44
Vermont	12	10	4	5	4	4	..	6	45
Virginia	14	111	56	8	5	11	4	20	229
Washington	11	72	59	13	6	9	8	12	190
West Virginia	7	80	22	9	11	14	6	16	165
Wisconsin	16	120	65	32	41	29	10	33	346
Wyoming	1	6	8	1	9	..	..	..	25
	745	4,004	3,398	1,126	894	935	460	1,173	12,735
	6%	31½%	26½%	9%	7%	7½%	3½%	9%	
	Educational – 64%			Community – 36%					



PHOTOGRAPH FROM OFFICE OF EMERGENCY MANAGEMENT

Carl Sandburg, Pulitzer prize winner, bends over a film editing machine to study "Bomber," a defense picture for which he contributed the commentary.

III. Audience Composition—"The Middleton Family at the New York World's Fair"

*From Modern Talking Picture Service Survey**

Showings and Audience by Classification of Outlet	Actual; 1939-1940 Showings	Actual; 1939-1940 Audience	Estimated; 1939-July 1941 Showings	Estimated; 1939-July 1941 Audience
Non-Theatrical, Clubs	8,558	1,156,280	10,500	1,415,000
School and College	2,679	1,510,603	6,650	3,360,000
Theater	2,500	2,250,000	2,500	2,250,000
Totals	13,737	4,916,883	19,650	7,025,000

Average Composition of Audience	Men	Women	Boys	Girls	Average Audience Total
2,500 Theaters†	250	380	150	120	900
3,069 Church Groups	49	54	13	12	128
1,366 Parent-Teachers' Associations	30	75	38	40	183
668 American Legion Posts	80	18	6	4	108
712 Women's Lodges	18	74	2	3	97
954 Men's Lodges	87	23	3	3	116
877 High Schools and Colleges, equipped with projectors	14	14	220	220	468
1,802 High Schools and Colleges, unequipped	17	18	288	288	611
1,789 Miscellaneous Groups	72	48	15	12	147

* Active promotion of picture through this channel of distribution ceased about the middle of 1941. The film is still shown through film libraries as requests come in. † Estimated average.

Like the educational film, the documentary is also poor in definition and rich in opportunity. A few documentaries are of epic status, such as *The River,* the *Plow That Broke the Plains* (Government films), and *Yesterday, Today, and Tomorrow* (H. J. Heinz Company). When a documentary is really good, practically every kind of film audience wants it, schools, clubs, churches, theaters. In England a Gas Association had notable success with this kind of picture. But while it's easy to recognize the quality of a specific documentary after the filming, advance specifications are more difficult. Roughly, it can be said that the documentary producer pictures the significant, unsoftened facts of life and living with revival-meeting enthusiasm. Sometimes this results in a saga of human achievement, other times in rolling in a gutter.

Discussion of pictures is in terms of reels. One reel of 16 mm. width is 400 feet long and at about 36 feet a minute it takes 12 minutes to show. This applies to sound reels; silent films run more slowly. A scene is usually shot on 35 mm. film, then reduced for use in the more popular 16. Kodachrome, however, is photographed on 16 mm. For distribution of the prints to non-theatrical audiences, the 16 is favored over the 35 because projection equipment is portable and less subject to stringent licensing restrictions.

Possible Choices

In building a business film, there are a number of technical operations among which to select. The pictures may be in color or black and white, sound or silent. They may be movies or they may be strip films, also called slide films. The latter go through a projector one picture at a time. Sound slide films are popular in sales training. Silent slide films, with printed captions, are favored for training shop mechanics in industrial processes. Slide films and their projection equipment are less expensive than movies. A 12-inch recording with slide film provides 18 to 19

minutes of screening time for 125 to 140 illustrations.

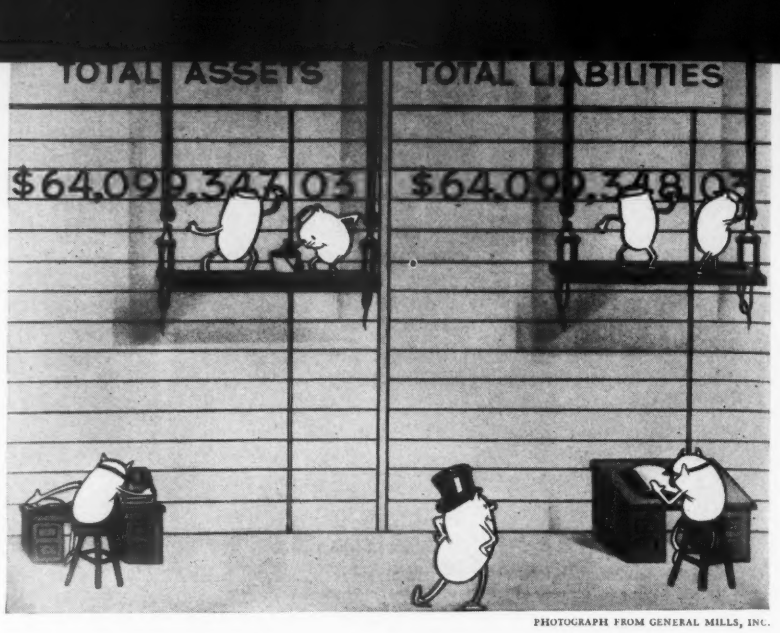
Other possible techniques for a picture include animated cartoons, successfully used by General Mills to breath life and action into its annual financial report. Three dimensional films offer another treatment, limited by the fact that special projectors are needed. The third dimensional show requires Polaroid viewing glasses, held by the audience, and a projector with two lens turrets through which run two films focused on one screen. Polaroid lenses in the projector and in the audience's viewing glasses give the picture depth.

A future consideration in planning the business movie is its use for television. Station W6XAO, Los Angeles, Cal., for ten years has been interspersing its live talent shows with both commercial and theatrical films. W2XBS, New York City, began doing likewise during the World's Fair. Recently Lee Hats were the subject of a sponsored television show which included projection of an industrial film.

All these camera uses are within focus for makers of advertising, industrial, and training films. Another form of business movie which in practice is limited to the industrial engineer is a time study or methods improvement movie. Made by individuals to analyze a genuine rather than a staged production process, these require none of the settings, scenarios, or trick camera shots for which the business movie producer is trained.

For Government Use

The biggest single user of non-theatrical motion pictures is probably the United States Government, which first tried films in 1911. Today, three major departments have their own laboratories and technicians. Between 400 and 500 films are available to the public. In addition certain training films are used only by Departments. Agriculture issues between 15 and 25 pictures a year and last year had a budget of $74,500. The U. S. Office of Education this year spent $155,000 on films to be used for rapid vocational training in schools and shops. The Army Signal Corps made about 20 a year until inauguration of the defense program; now it is working on 200. Besides these, 140 reels of Army training pictures are being obtained through the Research Council of the Academy of Motion Picture Arts and Sciences.



PHOTOGRAPH FROM GENERAL MILLS, INC.

One of 1940's most widely discussed advertising movies used animated cartoons to visualize for General Mills stockholders some of the exciting things which a corporate balance sheet conveys more compactly and unemotionally.

Training films are part of the regular curriculum at West Point and some made by a commercial producing agency are widely used with approval of the CAA by the Civilian Pilot Training Program schools. More than 22 Government Departments, Administrations, and Bureaus have non-theatrical movies, the work of either their own employees or of outside producers. The NYA, for instance, issued ten pictures in 1940 at a cost of about $38,000, salaries and supplies included. Eight were silent, two sound. OPM and OEM list 17 which deal with defense, some their own productions, others credited to such agencies as TVA and the U. S. Maritime Commission.

Defense movies logically also include those made by industry to train apprentices. A few producers and distributors of business movies have defense training films which they sell to companies that need them.

Besides sponsoring the production of films for defense and informational purposes, the Government also has facilities for projecting them. CCC camps are 100 per cent equipped with strip film projectors and have more than 1,500 movie projectors available. The 20-year old Army Motion Picture Service has a chain of 400 theaters in forts, camps, cantonments. Naval bases and warships also have projectors. In South America, U. S. State Department Embassies and Legations are getting projectors to show movies which have been scored in Spanish and Portuguese for the Office of the Co-ordinator of Inter-American Affairs.[4]

What encourages the business movie makers about all this is that the biggest enterprise in the world, U. S. defense, is putting their type of picture before industry as an answer to the problems of morale and rapid training, which is promotional spade work on a scale far beyond what any individual producer could do.

It would, however, be unjust and inaccurate to credit all or even a majority of the defense films to the non-theatrical producer. Theatrical producers, through the Motion Picture Committee Co-operating for National Defense and the Research Council of the Academy of Motion Picture Arts and Sciences, are responsible for many. Among these are theater trailers to sell Defense Bonds

[4] *Business Screen*, May, 1941, page 8, July, 1941, page 14.

IV. Motion Picture Projectors in 17,177 High Schools and Colleges, 48 States

U. S. Department of Commerce Survey

Projectors	Owned	Able to Borrow	Able to Rent
16 mm. Silent	6,037	1,800	969
16 mm. Sound	6,374	1,647	1,119
35 mm. Silent	1,612	216	237
35 mm. Sound	814	2,226	377
Slide Film,			
35 mm. Silent	4,182	595	256
35 mm. Sound	143	122	131
Total	19,162	6,606	3,089

and Office of Emergency Management pictures about the defense program.

A significant feature of recent government picture making has been development of a new manner of negotiating and contracting for non-theatrical films. Worked out by the Treasury's Procurement Division and the U. S. Office of Education, it requires from the producer information about his financial responsibility, studio and equipment available, production staff, and experience. Although names of about 150 producers who are more or less active in making some kind of non-theatrical pictures can be taken from directory lists, about 60 have the experience and other qualifications to benefit from this. At present only one of these is a consistent producer of both industrial movies and large scale Hollywood entertainment features. Pictures with a budget of $20,000 haven't had much appeal for companies geared to profit from million dollar entertainment films. Individual production executives for these companies, however, do sometimes step into the business movie field and make pictures.

One of the best defined and organized of the business movie producing groups is that specializing in one-minute advertisements for theaters. Sometimes called "minute movies," these ads have a possible total audience of about 40,000,000 persons in more than 10,000 of 17,000 theaters which are in operation. They also have a large export audience in South Africa and South America.

Makers of one-minute advertising playlets release them nationally through two companies. The advertiser can select from a directory exactly which theaters will carry his films. The basic audience rate for a 90-foot, 35 mm., one-minute ad is $3 per 1,000 persons. Data on size of audience, geographical location of theaters, and percentage of audiences in upper and lower income groups are available. In about 5 per cent of the theaters, circulation can be audited. Audience reactions have been the subject of market research surveys.

With definite facts on circulation costs, audience quality, and sales effectiveness, the minute movie producers have been more successful than the producers of other types of business movies in persuading advertising agencies to recognize the medium as something more than a novelty like advertising pencils and match book covers. Not many of the nation's advertising agents, however, have ventured far into the business movie field. The few which are set up to arrange for advertising films handle them through a separate motion picture department, through an executive in the radio advertising department, or as an extra piece of customer relations work.

Distribution

Probably the most helpful single piece of information which a prospective user of industrial motion pictures could memorize is this: Plan the distribution before making the movie. Distribution is the bottleneck of the business motion picture. Foreknowledge of its problems can prevent such errors as filming of a production which would sell goods for dealers who, however, have no projectors available to show it. The same picture, undisputed though its educational and public relations value may be, is likely to have too much selling power for acceptance by educators and social clubs.

The audiences at which a picture may be aimed include theatrical, non-theatrical outside of the company sphere of influence, and non-theatrical within company influence (employees, conventions, retail outlets). Non-theatrical distribution beyond company control includes colleges, high schools, grade schools, churches, American Legion Posts, YMCA's, other industries (there are estimated to be 10,000 sound projectors owned by industry and its dealers).[5] Distributors can subdivide

[5] *Film Daily Year Book*, 1941, page 69.

To audiences an hour is an hour, whether used to view Clark Gable's latest or a business movie; the advertising picture, therefore, requires the technical artistry of Hollywood to keep its audiences pleased.

GRAPH FROM CASTLE FILMS, INC.

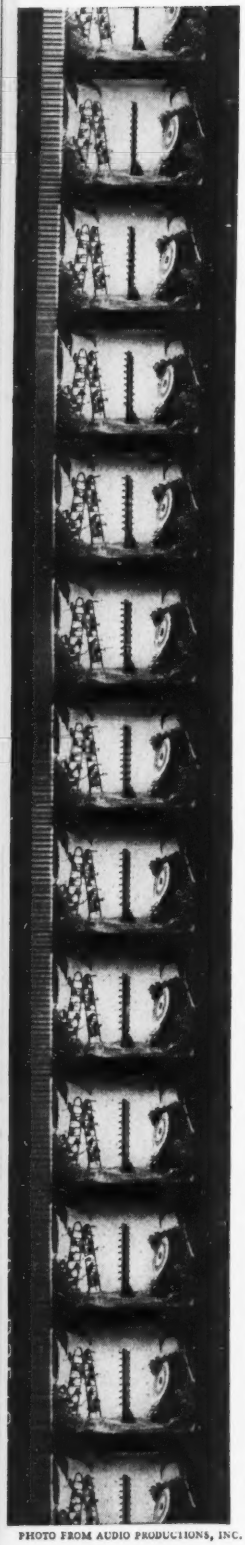


PHOTO FROM AUDIO PRODUCTIONS, INC.

What goes on in a vacuum tube? A Western Electric Company movie compares the action to a troop of animated monkeys tossing pebbles through a shutter at a target. The sound track explains that the pebbles represent electrons thrown off by a filament and passing a controlling central element to reach a grid.

these into all sorts of headings: men's groups, women's, service and commercial, by town population, and in some charts by location within a shopping or city area.

Of well distributed pictures, one of the most outstanding is an industrial, *The Middleton Family at the New York World's Fair.* It was made for Westinghouse Electric & Manufacturing Company and distributed by Modern Talking Picture Service, Inc., specialists in distribution. By the end of 1940 more than 5,000,000 persons had seen it; by this Summer the total was 7,000,000 for 386,375,000 person-minutes of uncompeted-for attention. Cost per person-minute was less than $.0012, the cost per person was $.0662, including production, print, and distribution expense.

The prize thing about distribution of *The Middleton Family* is the way it was tailored to meet specifications. Dealer sales records were consulted before the distribution, dealer tie-ups were made throughout the showings, and during distribution to preferred club audiences, credit for projection arrangements was passed to the local dealers.

Another way to evaluate good distribution is by a count of the total audience which sees a picture from the time it is issued to the time it is withdrawn. Producers of business movies can sometimes avoid "dating" a film by their care in selecting styles and background. When they succeed, a picture may have almost unlimited life.

International Harvester is still using a revised version of a comedy issued in 1911. A safety picture made for Aetna Life Affiliated Companies has been shown since 1934. At the end of six years it had been seen by over 16,000,000 persons during 42,782 showings.

In obtaining these sizable audiences, five general channels of distribution are used, through which the reels are piped to clubs, societies, churches, schools, dealers.

Five Channels

The picture may go to film libraries, to be listed in catalogues and rented to customers who want it. There are five major film libraries, each with some specialty or characteristic service; and there are scores of smaller local ones. Some corporations which have several pictures maintain their own film libraries, issue picture catalogues, and distribute through regional offices.

The picture may go to a specialist in distribution, as did *The Middleton Family,* to be placed where it will do for the user exactly what he wants it to do—subject to its own limitations.

The third possible channel is through an independent agency which sends the picture free to clubs which have registered and paid a small annual fee. In this, two qualifications are made, the clubs must ask for the film and the sponsor must have specified that the circulation which the club represents is what he wants.

A fourth channel is the film library operated by a producer or by the company which sponsors the picture. This library may send the film to a regular clientele or, when it has the extensive facilities, do the same type of distribution as that of the independent distribution specialist.

The fifth channel is the "road showman" who sends the film to projection men after local merchants have been sold on sponsoring the show because the film advertises their merchandise. Other road showmen drive from town to town and show a program of entertainment and commercial films.

These are the main funnels for the sponsor's picture. Always available, too, as an audience are the company's own conventions and dealers. Some corporations have put their pictures on tour throughout a territory, thus becoming their own distributors for the film. Occasionally, radio program sponsors show their own films to studio guests before and after broadcasts.

About the top audience which any agency claims it can reach is that of the YMCA Motion Picture Bureau, whose 1,000 and more rented and free industrials, comedies, educationals, and theatrical features are seen by audiences totalling about 45,000,000 admissions in a year. Two-thirds of these view industrial pictures almost exclusively.

One prospective but only partly tapped audience which every sponsor dreams of reaching is the school. The U. S. Department of Commerce this Spring released a thick book of data on number and type of projectors owned or available in high schools and colleges. Educators are increasingly conscious of the possibilities of visual education. Thanks to a 2½-year series of articles on the history of non-theatrical motion pictures,[6] they probably know as much about the historical troubles and triumphs of the industry as those in it.

Whether as a medium for visual education, a source of sales, a way to train smart workers faster and slow workers patiently, or as a medium for aiding social work, religion, politics, fund raising, or corporate good will, the business movie after 30 years is still pre-eminently a product of medium and small enterprises. Individualistic, creative, dealing in lights, shadow, motion, color, and sound, combining all the arts as a tool for business, it is more and more an interesting economic and social phenomenon.

[6] *Educational Screen,* Articles by Arthur Edwin Krows, beginning in September 1938 and due to continue into 1942.

The Business Man's Diary

1 INSTALLMENT credit curb goes into effect on twenty-five classes of consumers' goods. . . . In Labor Day speech President rejects idea of negotiations with Germany: "We shall do everything in our power to crush Hitler and his Nazi forces."

4 SENATE votes 43 to 23 to lower personal income tax exemptions from $2,000 to $1,500 for married persons and from $800 to $750 for single persons.

5 RAILROAD wage dispute goes to President after mediation efforts fail. . . . United States destroyer Greer attacked by submarine near Iceland.

8 FARM program for 1942 announced by Secretary of Agriculture calls for record food output with a price guarantee of 85 per cent of parity on protective foodstuffs.

9 SPAB REJECTS requests for steel plate priority for proposed 1,580-mile pipeline from Texas to New Jersey. . . . Treasury officials reported to have under consideration a forced savings plan or "separation wage" which would set aside two months' pay during the emergency period.

10 SECRETARY MORGENTHAU urges price controls, heavier taxation, larger investments in defense saving bonds, voluntary savings, to meet imminent threat of inflation. . . . All priorities made mandatory under Priority Regulation Number 2. . . . SPAB orders full survey of defense and civilian requirements of materials, labor, and machinery.

11 PRESIDENT orders Navy to shoot at sight vessels of war entering waters "the protection of which is necessary for American defense."

15 PENNSYLVANIA anthracite producers advance coal prices in defiance of OPA freezing order. . . . OPM announces December production quota for passenger automobiles 48 per cent below 1940. . . . President reports transference since last March of $324,563,749 in war materials and other supplies under the Lease-Lend Act.

16 FOR first time in 30 years mail order house will issue no mid-Winter flyer offering price cuts from general catalogue.

17 OPA APPROVES 15 cents a ton rise in anthracite prices although terming it a "wholly unjustified act of defiance."

18 UNITED STATES GOVERNMENT seizes three American-flag freighters tied up by union war bonus demands.

19 BERNARD M. BARUCH, testifying before House Banking and Currency Committee, urges blanket ceiling on prices, wages, and rents.

23 FEDERAL RESERVE BOARD calls for increase of one-seventh in reserve requirements of member banks, effective November 1. . . . Shipping strike affecting 25 vessels certified to National Defense Mediation Board.

24 SECRETARY MORGENTHAU recommends that corporation profits over 6 per cent on invested capital be taxed away during emergency. . . . Twelve-day shipping strike ends with Defense Board mediation.

26 SPAC HAS under study major revision of priorities system giving defense industries specific allocations of raw materials instead of preference ratings.

27 GREATEST mass launching since World War I adds 14 new merchant ships to "Liberty Fleet."

29 SALES of liquors, furs, jewelry, and cosmetics soar on eve of new excise tax. . . . Federal Reserve Board Chairman Eccles advocates ceiling on wages and farm prices to curb inflation. . . . British, American, and Russian delegations meet in Moscow to plan material aid to Russian forces.

30 EASTERN seaboard gasoline curb extended through October and made mandatory under Priorities Act. . . . Refrigerator production cut 43 per cent below monthly average in year ended June 30. . . . Military plane output sets monthly record of 1,914 units. . . . September defense expenditures reach $1,347,000,000.

IDLE TANK CARS PUT INTO SERVICE TO RELIEVE OIL SHORTAGE—INTERNATIONAL

ONE OF FOURTEEN MERCHANT VESSELS LAUNCHED ON LIBERTY FLEET DAY—ACME

CHRISTMAS-TYPE RETAIL BOOM PRECEDES EXCISE TAX DEADLINE—INTERNATIONAL

DELEGATIONS IN MOSCOW FOR THREE-POWER CONFERENCE—ACME RADIOPHOTO

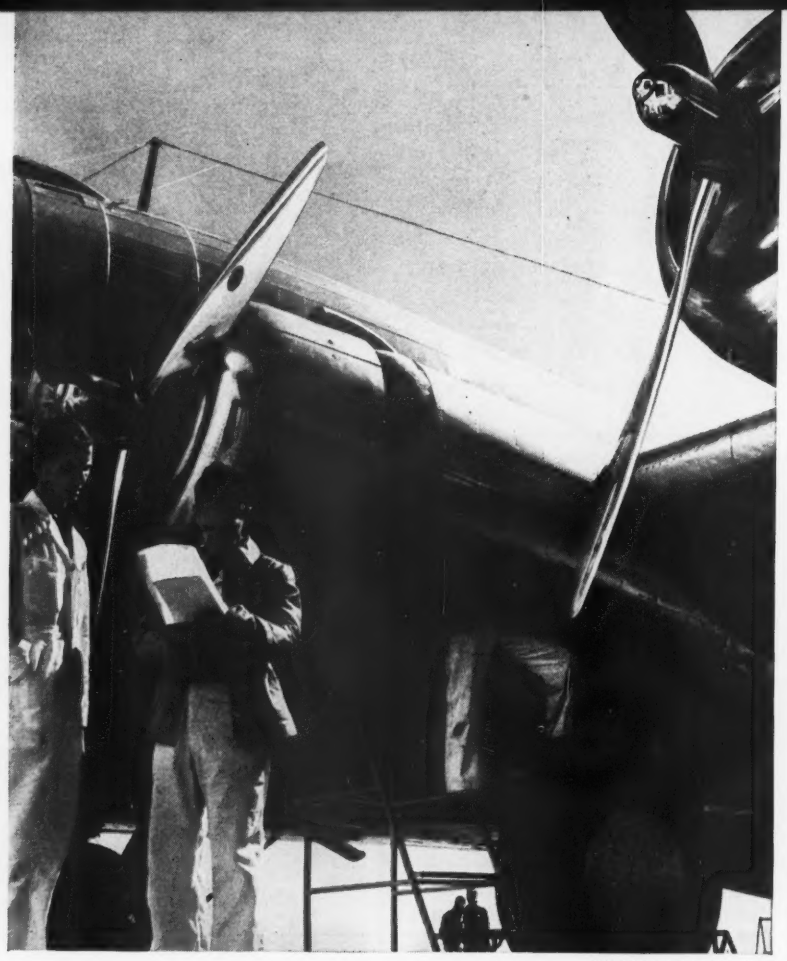


PHOTO BY HOIT FROM CUSHING

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Irregularities of trend are more in evidence as business makes the shift to all-out defense. Industry is unable temporarily to improve on all-time record operations. Prices are somewhat lower and trade is spotty, with a decline in forward buying. Order backlogs are still at peak levels; employment continues to increase although priorities layoffs are more common.

THE recovery trend has levelled off in October as trade and industry cope with the problems of a transition period. In manufacturing industry, materials shortages and the change-over from consumers' goods to defense schedules have brought to a halt the record-breaking expansion in output.

In retail as well as in primary markets the tone is one of "assimilation." Buyers have eased up in their pressure for delivery. For the time being they are showing more interest in reducing inventories which are out of line than in expanding stocks for future use. There are indications that the peak in inventory accumulation may have been reached. Manufacturers' holdings now exceed last year's by more than 20 per cent. With the recent let-up in consumer spending, the ratio of store stocks to sales has risen above a year ago and retailers show some concern over stocks of seasonal goods peaked earlier than usual this year.

Manufacturers and wholesalers report that the decline in incoming business has been sufficient to reduce order backlogs in a number of lines. For the first time in months, some wholesale houses have begun to accumulate spot goods; deliveries in several key lines show improvement rather than a worsening; and sellers once more are actively seeking new orders.

Commodity prices have turned moderately downward since the war-time highs in early September. In mid-October the reaction was accelerated by unfavorable foreign developments and by the third week had wiped out all advances made in the general average during the three months preceding.

Retail prices are continuing upward, as stores move out merchandise bought in the rising market. New excise taxes effective October 1 made a sudden addition to selling prices on some articles and retailers began to note signs of developing consumer resistance. A buying stampede reminiscent of the August rush started up at the end of September but was relatively short-lived. It failed in any event to lift the month's trade near the August level, when allowance is made for the usual seasonal variation.

The apparent let-up in buying pressure, the halt in production expansion, the large stocks accumulated in some lines, the weakening of prices, combine to suggest a downward tendency in business volume during the most recent month. However, placed against the dimensions of the national program they reflect rather the irregularities and temporary dislocations associated with a rising phase of activity.

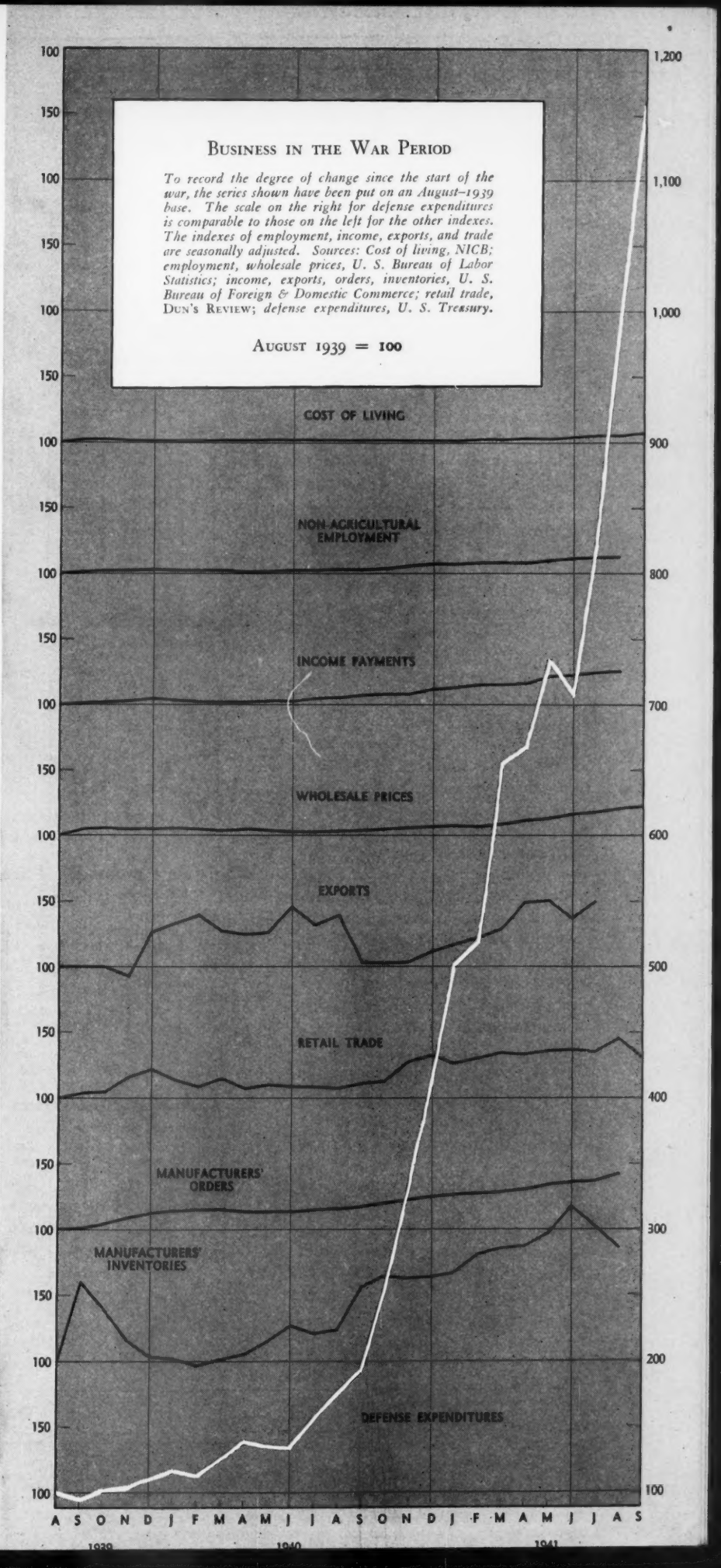
A decline in new orders does not conceal the fact that industry's total unfilled orders are the largest in history, sufficient in many lines to sustain operations for more than a year. Top-heavy though inventories may be in some areas, there are shortages and

acute scarcities in others. It is noticeable that the recent weakness of prices produced no general movement toward liquidation. Wholesalers report few cancellations on orders for Fall or Winter, although commitments generally were well in excess of recent years.

"Priorities unemployment" has become a pressing problem for both government and business. The requirements of defense are already effecting far-reaching changes in the structure of production. A cut of 48 per cent has been ordered in passenger car output for December and one of 51 per cent for January. Refrigerator production has been dropped 43 per cent for the five months ending December. All construction except that essential to public health and safety has been placed under ban, reducing 1942 building activity, it is estimated, 25 per cent under the 1941 volume.

Even the magnitude of these changes is dwarfed in the scope of the defense effort. Priorities unemployment may affect as many as 2,000,000 persons, but officials estimate that defense work now engaging 4,500,000 persons will require 2,500,000 more by April 1942 and another 2,500,000 in 1943. An expansion of 10,000,000 tons projected in steel-producing capacity is one-ninth of the present total capacity of the industry. Expenditures for defense authorized so far exceed $60,000,000,000, more than the total product of manufacturing industry in all of 1939.

As the chart shows, the monthly outlay for defense has increased twelvefold since the start of the war. Yet, so far only $13,000,000,000 has been spent; currently only 15 per cent of manufacturing facilities are engaged in defense as compared with an estimated 50 per cent in 1942. As monthly defense expenditures have gone from $114,000,000 to $1,347,000,000, the production index has risen from 105 to 160. Employment has increased by approximately 4,700,000 persons or about 15 per cent, and national income has expanded 25 per cent to an annual rate of $90,000,000,000. *(Continued on next page)*


BUSINESS IN THE WAR PERIOD
To record the degree of change since the start of the war, the series shown have been put on an August–1939 base. The scale on the right for defense expenditures is comparable to those on the left for the other indexes. The indexes of employment, income, exports, and trade are seasonally adjusted. Sources: Cost of living, NICB; employment, wholesale prices, U. S. Bureau of Labor Statistics; income, exports, orders, inventories, U. S. Bureau of Foreign & Domestic Commerce; retail trade, DUN'S REVIEW; defense expenditures, U. S. Treasury.
AUGUST 1939 = 100
COST OF LIVING
NON-AGRICULTURAL EMPLOYMENT
INCOME PAYMENTS
WHOLESALE PRICES
EXPORTS
RETAIL TRADE
MANUFACTURERS' ORDERS
MANUFACTURERS' INVENTORIES
DEFENSE EXPENDITURES
100
150
1,200
1,100
1,000
900
800
700
600
500
400
300
200
A S O N D J F M A M J J A S O N D J F M A M J J A S
1939
1940
1941

Industrial activity: Further increases in the output of defense products prevented any decline in the adjusted index of production in September, although several major consumers' goods lines began to feel the curtailment. The seasonally-corrected FRB index was unchanged at 160 for the third month in succession.

Automobile production picked up much less than seasonally, lagging considerably below volume output of last September. Preliminary reports indicated that the maximum allowable schedules had not been reached in the first month the industry operated under quota. In the silk industry, the effect of rationing was apparent in a drastic slump in deliveries from August to September, lowering the production index to 50 per cent of the level of last September. It was estimated that 32,500 workers were laid off in silk consuming industries in the first two months of the operation of the Government freezing order.

In steel, machinery, aircraft, and shipbuilding, the expansion in the month was again of major proportions. Steel ingot operations averaged 96 per cent of capacity in September and advanced to 98 per cent in early October. Shipyards had under contract or construction on October 1 a total of 1,071 vessels aggregating 6,202,090 gross tons. Deliveries of military aircraft reached a new record of 1,914 planes, compared with 1,853 in August. Deliveries of freight cars also improved, increasing from 3,856 in August to 5,044, which was still about 9,000 less than the monthly production achievable at capacity in view of present unfilled orders.

Consumer income: The levelling-off of the production trend reflected in a slower rise in income payments during August. The adjusted index of income reached 133.5, from 132.6 in July, but that was the slightest increase for any month since last March.

While incomes expanded at a slower rate, living costs moved upward with accelerated speed. The NICB index recorded a gain of 0.6 per cent in August, and of 1.6 per cent in September. Since August 1939, this index has advanced 8 per cent, with half of the increase occurring in the last four months.

Consumer spending: After the August rush to buy before new tax and credit regulations became effective, retail trade suffered a sharp loss of seasonal momentum during September. and October. From the record high of 134 in August the adjusted index of department store sales dropped back to 112 in September. The more general DUN'S REVIEW index of spending was down to 108.9 from 120.4 in August. Increases in the level of trade compared with a year ago now were more in line with the expansion in total income over the year, a rise of 18 per cent in September comparing with one of 34 per cent in August.

Prices: Commodity prices finished September close to opening levels but a downward tendency evident in the latter part of the month gained strength in early October and by the third week the DUN & BRADSTREET sensitive daily index of prices had returned to the level of mid-July. The USBLS weekly index registered 91.6 at the start of the month, equalling the war-time high set in early September.

Weakness also developed in stock prices during October. The industrial share average (Dow-Jones) by the third week had lost 6 points, falling back to June's level.

Banking and finance: As business borrowing from banks continued to rise, member banks reported business, industrial, and agricultural loans at a new record of $6,501,000,000 in early October. Excess reserves at the same time were estimated at $5,209,000,000. Action of the Federal Reserve Board in increasing reserve requirements to the limit of its statutory power was designed to reduce the excess to about $4,000,000,000 effective November 1.

Industrial Production

Federal Reserve Board Adjusted Index
1935-1939 = 100

	1938	1939	1940	1941
January	85	101	122	140
February	84	101	116	144
March	84	101	113	147
April	82	98	112	144
May	81	98	116	154
June	81	103	125	159
July	86	105	122	160
August	90	105	124	160
September	93	114	127	160
October	96	121	130	
November	100	124	134	
December	101	125	139	

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1938	1939	1940	1941
January	75.4	84.7	99.8	128.7
February	77.7	87.1	99.3	136.8
March	77.8	88.8	99.8	131.2
April	75.2	86.8	97.9	134.7
May	73.6	86.3	97.8	144.1
June	71.6	87.9	99.5	152.1
July	71.7	85.8	98.9	152.8
August	77.9	91.2	105.5	157.0
September	82.3	95.4	111.6	
October	85.0	103.2	116.2	
November	85.3	103.2	116.4	
December	88.1	105.4	122.4	

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1938	1939	1940	1941
January	90	88	92	108
February	88	88	90	108
March	86	88	89	108
April	83	88	89	108
May	80	87	89	105
June	82	86	91	104
July	83	87	92	115
August	83	88	98	134
September	85	90	97	112
October	86	92	94	
November	87	93	100	
December	88	95	101	

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	June 1941	July 1941	Aug. 1941	Sept. 1941
I	85.9	87.7	89.2	91.0
II	86.7	88.1	89.4	91.6
III	87.2	88.3	89.6	91.5
IV	87.7	88.8	90.0	91.2
V			90.6	

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	June 1941	July 1941	Aug. 1941	Sept. 1941
I	117.71	123.56	128.90	127.63
II	121.93	127.49	127.73	127.18
III	122.70	127.79	125.56	128.04
IV	123.59	128.93	125.82	126.91
V			127.07	

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

Geographical Divisions:	August 1941	August 1940	Per Cent Change	July 1941	Per Cent Change
New England	$9,844,071	$7,366,832	+ 33.7	$13,293,718	— 25.9
Middle Atlantic	20,073,960	23,114,077	— 13.2	31,698,114	— 36.7
South Atlantic	13,970,204	12,937,450	+ 8.0	16,274,073	— 14.2
East Central	27,001,714	30,825,108	— 12.4	41,577,227	— 35.1
South Central	13,309,967	13,870,939	— 4.0	18,994,569	— 29.9
West Central	6,887,508	6,817,198	+ 1.0	7,268,470	— 5.2
Mountain	3,223,935	2,617,320	+ 23.2	2,534,878	+ 27.2
Pacific	25,209,269	18,720,146	+ 34.7	24,233,564	+ 4.0
Total U. S.	$119,520,628	$116,269,070	+ 2.8	$155,874,613	— 23.3
New York City	$8,178,498	$14,039,891	— 41.7	$17,710,390	— 53.8
Outside N. Y. C.	$111,342,130	$102,229,179	+ 8.9	$138,164,223	— 19.4

Bank Clearings—23 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1941	1940	1939	1941	1940	1939
January	26,155	24,140	23,383	1,005.9	928.5	935.3
February	22,687	20,641	19,885	1,031.2	897.4	903.8
March	27,609	23,681	25,192	1,061.9	910.8	933.0
April	27,105	23,587	21,931	1,042.5	907.2	879.2
May	27,602	24,361	22,374	1,061.6	936.9	860.5
June	28,094	21,838	23,212	1,123.7	873.5	892.8
July	28,483	22,939	21,576	1,095.5	882.3	863.1
August	27,125	21,046	22,782	1,043.3	779.5	843.8
September	....	21,083	24,015	....	878.5	960.6
October	.....	25,289	22,469	....	972.7	898.8
November	.....	25,224	22,807	....	1,096.7	991.6
December	.....	27,862	26,827	....	1,114.5	1,073.1
Total	.....	281,691	276,503	....	931.5	919.6

Bank Clearings for Individual Cities

(Thousands of dollars)

	August 1941	August 1940	Per Cent Change	July 1941
Boston	1,166,256	875,034	+ 33.3	1,220,303
Philadelphia	2,280,000	1,730,000	+ 31.8	2,289,000
Buffalo	188,206	138,191	+ 36.2	204,356
Pittsburgh	792,115	590,841	+ 34.1	783,038
Cleveland	687,792	480,925	+ 43.0	685,915
Cincinnati	341,678	255,884	+ 33.5	355,323
Baltimore	445,849	323,799	+ 37.7	472,495
Richmond	227,252	177,028	+ 28.4	226,942
Atlanta	365,300	266,800	+ 36.9	358,600
New Orleans	224,041	156,015	+ 43.6	246,085
Chicago	1,710,068	1,306,571	+ 30.9	1,742,329
Detroit	777,044	548,205	+ 41.7	797,712
St. Louis	492,514	373,771	+ 31.8	529,532
Louisville	226,136	152,082	+ 48.7	228,802
Minneapolis	416,310	315,215	+ 32.1	408,584
Kansas City	564,909	421,268	+ 34.1	577,740
Omaha	164,422	133,190	+ 23.4	162,413
Dallas	302,670	225,552	+ 34.2	310,344
Houston	267,846	202,734	+ 32.1	276,015
San Francisco	830,351	630,487	+ 31.7	814,217
Portland, Ore.	243,024	170,542	+ 42.5	216,508
Seattle	252,622	184,007	+ 37.3	251,099
Total 22 Cities	12,966,405	9,658,141	+ 34.3	13,157,352
New York	14,158,725	11,387,602	+ 24.3	15,325,279
Total 23 Cities	27,125,130	21,045,743	+ 28.9	28,482,631

Dun & Bradstreet Wholesale Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

1941	1940	1939
Oct. 28..$3.28	Oct. 29..$2.34	Oct. 31..$2.43
Oct. 21.. 3.26	Oct. 22.. 2.33	Oct. 24.. 2.44
Oct. 14.. 3.29	Oct. 15.. 2.33	Oct. 17.. 2.43
Oct. 7.. 3.32	Oct. 8.. 2.32	Oct. 10.. 2.39
Sept. 30.. 3.34	Oct. 1.. 2.31	Oct. 3.. 2.41
Sept. 23.. 3.33	Sept. 24.. 2.31	Sept. 26.. 2.46
Sept. 16.. 3.33	Sept. 17.. 2.31	Sept. 19.. 2.46
Sept. 9.. 3.34	Sept. 10.. 2.31	Sept. 12.. 2.45

	High		Low	
1941..	$3.34	Sept. 9	$2.50	Jan. 7
1940..	$2.49	Dec. 10	$2.18	June 18
1939..	$2.46	Sept. 19	$2.13	Aug. 15

Dun & Bradstreet Daily Wholesale Price Index 30 Basic Commodities

(1930-1932 = 100)

	1941			
	Oct.	Sept.	Aug.	July
1	146.09	*	141.18	138.93
2	145.98	145.00	*	138.90
3	145.56	145.46	†	138.91
4	145.67	145.90	142.82	*
5	†	146.43	142.80	*
6	145.30	*	143.11	†
7	144.93	†	143.31	139.70
8	144.33	147.48	142.85	140.51
9	143.71	147.91	*	140.37
10	143.72	147.10	†	140.06
11	143.38	147.70	142.06	140.03
12	†	147.60	141.36	*
13	*	*	142.04	†
14	142.80	†	141.85	140.23
15	142.51	147.11	141.85	140.23
16	140.39	146.59	*	140.17
17	140.59	146.79	†	139.63
18	141.50	146.73	141.99	139.78
19	†	146.07	142.26	*
20	140.91	*	143.22	†
21	141.92	†	143.17	140.61
22	142.21	144.94	143.37	140.83
23	142.85	145.05	*	140.80
24	143.28	145.42	†	141.44
25	142.99	145.38	143.22	142.02
26	†	145.23	143.96	*
27	142.52	©	144.54	†
28	142.86	†	144.74	142.00
29	143.19	145.26	144.62	141.65
30	.....	145.59	*	141.14
31	.....		†	140.74

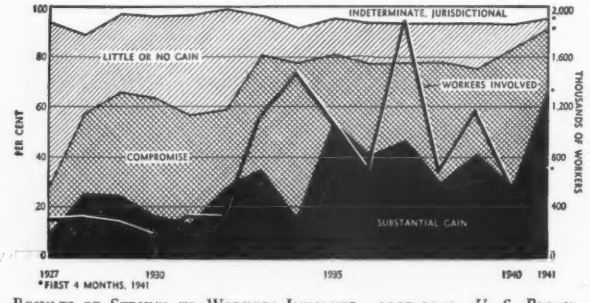
† Sunday. * Markets closed.

	High		Low	
1941..	147.91	Sept. 9	123.03	Feb. 17
1940..	124.84	Dec. 31	112.42	Aug. 19
1939..	124.19	Dec. 18	101.40	July 24

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Success Record for Strikers



RESULTS OF STRIKES TO WORKERS INVOLVED—*1927-1941—U. S. Bureau of Labor Statistics—Strikers are more successful this year than ever before; 66 per cent obtained substantially all their demands.*

OVER TWO-THIRDS of all workers involved in strikes during the first four months of 1941 won substantially all their demands, reports the U. S. Bureau of Labor Statistics. Such a record was made at a time when the number of workers striking was one of the greatest for any January-April period in history and exceeded the total for the entire year 1940. An additional 24 per cent reached a compromise settlement; 91 per cent of all workers involved in strikes obtained some benefit from striking.

Never in the record of the labor movement in this country have workers been as successful as in this year when industrial production is breaking all records. In the boom years 1928-1929 only 25 per cent of all workers won their strikes; in the middle thirties, years of swift expansion and large gains for labor, 40 to 54 per cent were successful.

Paramount issues from January to April 1941 were wage increases to 55 per cent of all workers on strike, union organization to 35 per cent. Workers were much more successful in obtaining pay increases than in gaining union organization demands.

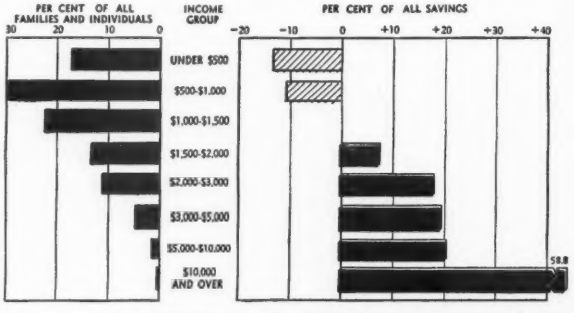
Savings and Incomes

INCREASING INTEREST in methods of controlling inflation through restrictions on consumption has brought to the fore the question of forced savings. Recently a "separation wage" was proposed whereby a definite portion of current wages is loaned to the Government and paid back after the war, thus deferring consumption and supplying funds to finance the defense effort.

A point of departure for forced savings plans would probably be the study of savings habits made in 1935-1936 by the National Resources Committee. The results of this study indicate in a broad way some problems and exceptions which are to be considered.

America begins to save—on the average—at the $1,500 income level. Some 70 per cent of the people in the United States in 1935-1936 did not save—on the contrary 60 per cent found it necessary to borrow or sell assets to meet current needs. Roughly 80 per cent of all income below $1,500 a year is used for bare necessities—food, shelter, and simple clothing.

Concentration of savings is found at the very high income levels. Approximately 80 per cent of the $6,000,000,000 saved in 1935-1936 was put away by families and individuals with incomes of more than $5,000. Savings absorbed 30 per cent of total income in the $5,000 to $10,000 group, and more than 40 per cent when incomes rose above $10,000. The figures bring out the importance in any forced savings plan of the problem of adjusting compulsory savings so that they effectively restrict consumption, rather than replace voluntary savings.



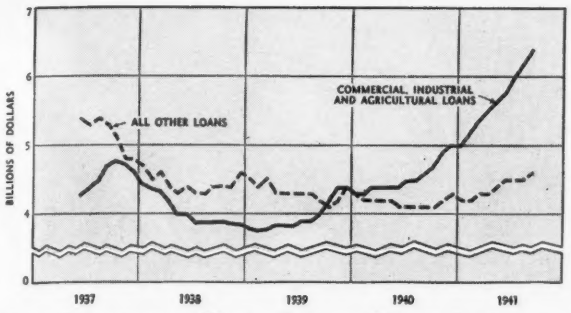
DISTRIBUTION OF CONSUMERS AND CONSUMER SAVINGS BY INCOME GROUP —*1935-1936—National Resources Committee—America begins to save at the $1,500 income level. Roughly 80 per cent of all savings were made by people with incomes of more than $5,000 a year.*

Business Loans Steadily Increasing

WHILE MANY indexes of business activity boom to all-time highs, bank loans remain 35 per cent below the peak 1929 period, influenced by dullness in security markets, large-scale lending by Government at low interest rates, and smaller need for borrowing by corporations with large cash reserves.

Since the start of the defense program however loans have risen steadily, due almost entirely to a growth in the commercial, industrial, and agricultural or so-called "business" group. By the end of September outstanding loans of member banks in 101 cities totalled $10,954,000,000, an increase of $2,450,000,000 since August 1940 of which 79 per cent was for business loans.

Although Government financing has absorbed much potential business, about 12 per cent of all loans outstand-



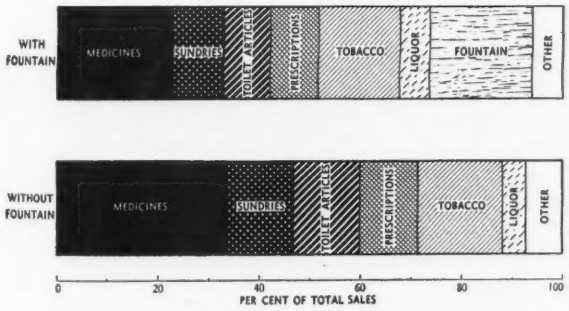
LOANS OUTSTANDING OF WEEKLY REPORTING MEMBER BANKS IN 101 LEADING CITIES—*June 1937-September 1941—Federal Reserve Board—Business loans have increased 43 per cent since August 1940; a large portion of the expansion was for defense purposes.*

ing are for defense purposes. Nearly half the increase in business loans from August 1940 through April 1941 was for defense, according to a study by the Federal Reserve Board. Principal purpose of defense loans was working capital for production—only one-third went for plant construction, and this was estimated to cover 10 to 15 per cent of all defense construction costs. About two-fifths of the defense loans were obtained by subcontractors.

What Drug Stores Sell

HAM ON RYE, milk shakes, and such produce about twice as much sales volume as prescriptions in the modern fountain drug store. Increasing popularity of fountain service is evident in the survey of drug store sales made by the U. S. Bureau of the Census. The number of stores with fountains grew to 39,452 in 1939, exceeding the 34,844 stores counted in 1929 and dollar volume touched a peak of $1,205,241,000 compared with $1,149,260,000 in 1929. In contrast, stores without fountains dropped from 23,414 to 18,451 and sales from $541,139,000 to $357,261,000 in 1939.

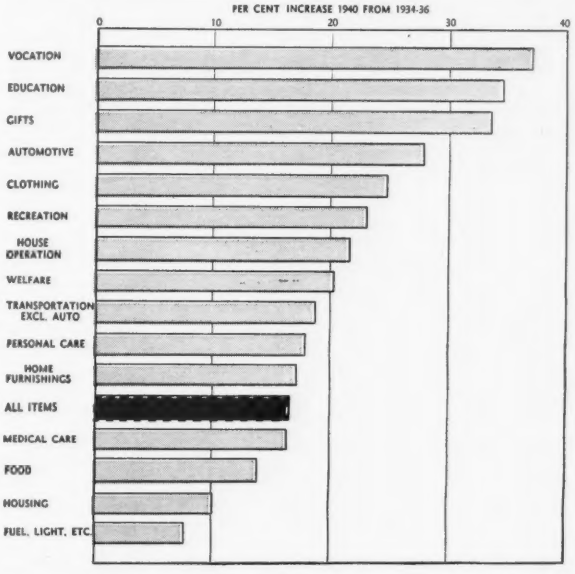
The old-time apothecary would be hard put to recognize as a drug store one which, with sales of $20,000 or more, derived 42 per cent of its volume from meals, liquor, and tobacco sales. Pharmacists without fountains rely on tobacco and liquor for 22 per cent of all volume, but medicines are the biggest sellers, accounting for 34 per cent of all sales, against 23 per cent in stores with fountains.



RETAIL TRADE OF DRUG STORES WITH ANNUAL SALES OF $20,000 OR MORE BY COMMODITIES—*U. S. Bureau of the Census—1939—Medicines and fountain service share about equal honors as revenue producers for drug stores with fountains.*

How We Spend Increased Incomes

THE TURN to luxuries in prosperous times affects our spending pattern and is of considerable importance in anticipating probable future consumer demands. The U. S. Bureau of Labor Statistics, using the study made in 1934-1936 of consumer expenditures of 5,500,000 wage earner and clerical families as a base, has estimated the increase in income in 1940 for those same or similarly situated families, and also how the new funds have been spent. The trends evident in the report will continue to mark future shifts in consumption which may be expected as wage payments increase, unless restrictions are imposed by an outside force, the Bureau points out.



PERCENTAGE INCREASE IN VARIOUS CONSUMER EXPENDITURES—*1934-1936-1940—U. S. Bureau of Labor Statistics—Spending for luxuries such as new automobiles, gifts, and education expanded most sharply.*

Sharpest boom was felt in spending for gifts, new automobiles, formal education, and vocation—all categories which gained more than 30 per cent from 1934-1936. The rise for all items was 17 per cent. Expenditures which in percentage increased more than the average included automobile operation and maintenance, clothing, recreation, and household operation other than fuel, light, and refrigeration expenditures.

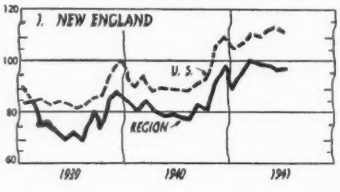
This expansion in spending was not evenly divided among the various consumption groups. The largest absolute increase—more than one-third of a billion dollars—went for food. Clothing took the second largest share.

THE REGIONAL TRADE BAROMETERS

Trends in consumer purchasing in the 29 barometer regions are summarized on the opposite page. Charts on this page and pages 40, 42, and 43 compare the index for each region with the index for the United States since 1939. The accompanying paragraphs give more recent detail about regional trade conditions.

Indexes may be obtained in advance of their publication in DUN'S REVIEW by arrangement with the editor. Additional information about the barometers and about their especial usefulness in regional sales quota work, back figures and data on regional boundaries are available for users of the indexes.

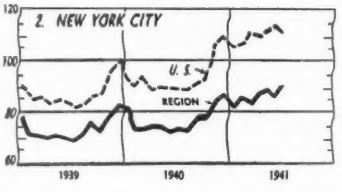
ADJUSTED FOR SEASONAL VARIATION; 1928-32=100



1. NEW ENGLAND

JULY, 96.8 JUNE, 96.1 JULY 1940, 78.6
UNADJUSTED: JULY, 89.1; JUNE, 101.2

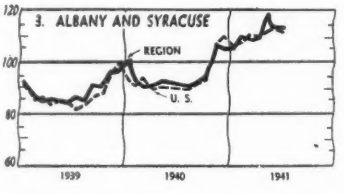
AUGUST—Percentage retail trade increases over previous August: Bangor 13, Portland 27, Boston–Springfield–Worcester–New Haven 30, New Bedford 23, Providence 26, Hartford 37. *Wholesale* trade increases: Portland–Boston 10, Springfield *18. Farm income slightly better than last year.* Payrolls and production well above 1940, steady to up in month. Housing shortage in shipbuilding centers of Portsmouth, Portland. Collections steady to better than 1940. SEPTEMBER—Wage increase of 10 per cent in cotton mills. *Large* defense contracts awarded for shoes, woolens. *Record output for month. Department store* sales 16% above 1940.



2. NEW YORK CITY

JULY, 91.9 JUNE, 86.3 JULY 1940, 74.7
UNADJUSTED: JULY, 79.9; JUNE, 86.1

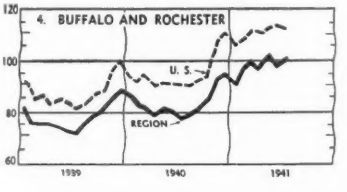
AUGUST—Percentage retail trade increases over previous *August: Bridgeport 35, New York City* department store sales 26; hotel sales off 2%. *Production* much better than a year ago; New York City payrolls up 43%. Large seasonal employment increase in apparel factories; good gains also in airplane, shipbuilding, metal, candy, and novelty concerns. Seasonal layoffs in New York *City retail stores smallest in eight years. Collections* steady to better than last year. SEPTEMBER—*Output of rayon yarn makers continues* sold up. Many large defense plants entering production phase. Bank clearings up 23% from 1940; merchandise deliveries slightly below 1940.



3. ALBANY AND SYRACUSE

JULY, 114.1 JUNE, 113.8 JULY 1940, 92.2
UNADJUSTED: JULY, 111.1; JUNE, 115.6

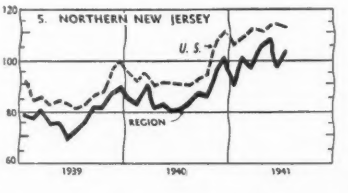
AUGUST—Percentage retail trade increases over previous August: Albany 25, Binghamton 35, Syracuse 42, Utica 30. *Wholesale trade increases:* Albany 35, Syracuse 48. Milk production slightly *above last year; apple crop prospects good.* Payrolls and production well above 1940, up in month in Syracuse where majority of factories are engaged in some defense work. Textile, munitions, shoe, machine factories at practical capacity. Collections better than 1940. SEPTEMBER—Construction of Rome air depot will require *5,000 to 7,000 workers for over a year. Drought* cuts crop yields sharply. Syracuse bank clearings up 18% from 1940.



4. BUFFALO AND ROCHESTER

JULY, 100.4 JUNE, 98.6 JULY 1940, 78.0
UNADJUSTED: JULY, 97.4; JUNE, 99.5

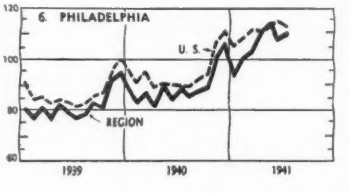
AUGUST—Percentage retail trade increases over previous August: Buffalo 35, Elmira 50, Rochester 25. Buffalo wholesale trade up 20%. Farm income better than last year. *Production* and payrolls sharply higher than 1940, up in month. *Employment expanded substantially in heavy* industries, clothing, flour milling, photographic, *canning plants.* Collections better than 1940. SEPTEMBER—Department store sales up 21% from last year in Rochester, 11% in Buffalo. Drought cuts crop yields. Jamestown furniture plants working overtime. Buffalo aircraft concerns need 5,000 to 10,000 workers by next year; Rochester factories need 8,000 in next 12 months.



5. NORTHERN NEW JERSEY

JULY, 103.3 JUNE, 98.2 JULY 1940, 80.8
UNADJUSTED: JULY, 93.8; JUNE, 105.1

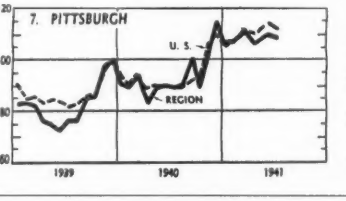
AUGUST—Newark retail trade 46% above a year ago, up 31% from July. Wholesale trade up 17% from 1940. Payrolls and production much better *than 1940, up in month. Value of Newark build*ing permits 68% below 1940. Record aircraft output. *Defense industries at capacity, but non*defense lines, including paints, brushes, and fitters *lack raw materials.* Bank clearings up 21% over 1940 in Northern New Jersey as a whole, 18% in Newark alone. Collections better than last year. SEPTEMBER—Drought sharply reduced crop prospects. Unemployment increasing in silk, auto, and rubber industries. Newark department store sales up 10 to 20% from 1940.



6. PHILADELPHIA

JULY, 109.9 JUNE, 108.0 JULY 1940, 89.1
UNADJUSTED: JULY, 98.9; JUNE, 115.6

AUGUST—Percentage retail trade increases over previous August: Trenton–Scranton 30, Allentown 27, *Philadelphia–Wilkes-Barre–Harrisburg–*Wilmington 35, Reading 20, York 1. Philadel*phia wholesale trade up 30%.* Infantile paralysis epidemic affected York trade. Payrolls and production well above 1940, steady to up in month. Opening of new plants offset slackening due to shortages in a few industries. Collections steady to better than 1940. SEPTEMBER—Steel operations at 95% of capacity. About 22,000 hard coal miners on strike. Major Meadville industry, maker of slide fasteners, faces shutdown. Philadelphia retail trade 10 to 15% above 1940.



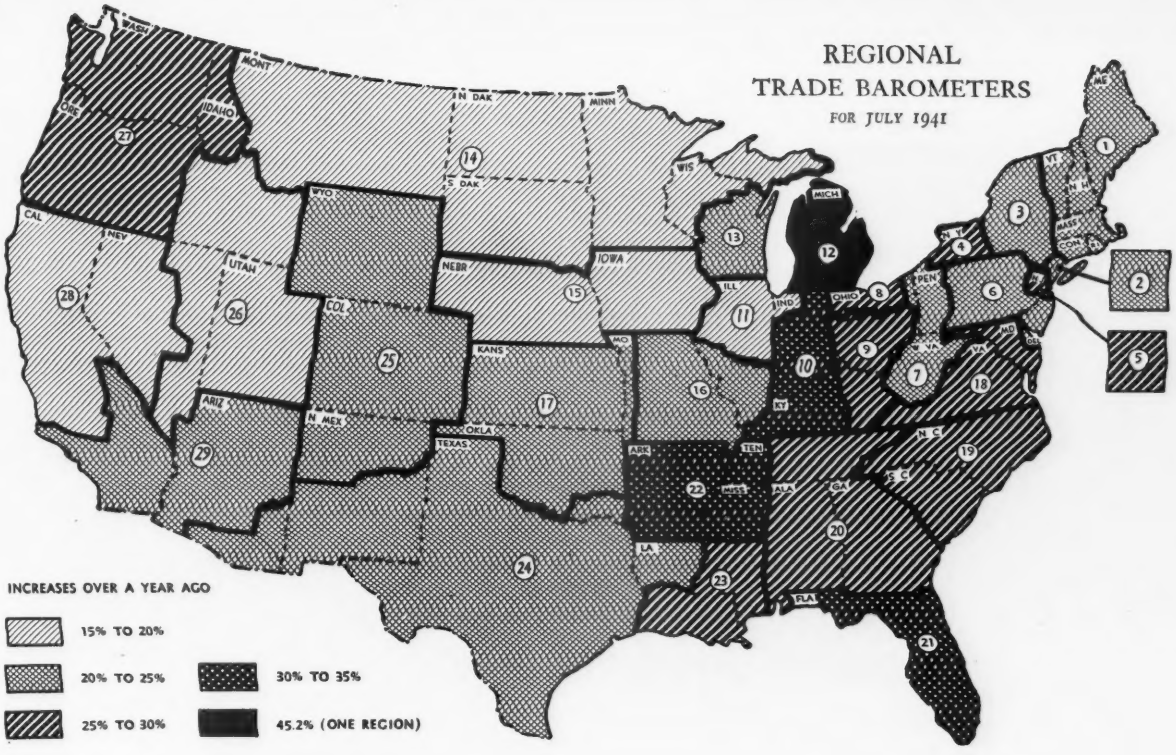
7. PITTSBURGH

JULY, 109.4 JUNE, 110.4 JULY 1940, 90.4
UNADJUSTED: JULY, 100.3; JUNE, 121.6

AUGUST—Percentage retail trade increases over previous August: Erie 45, Pittsburgh 30, Youngstown 35, Huntington–Charleston 40. Wholesale trade increases: Erie 28, Pittsburgh 20, Charleston 60. Payrolls and production better than last year,

(Continued directly opposite)

up in month in Erie. Steel operations held at practical capacity, unchanged from July. Soft coal output up 16% from 1940, plate glass production up 82%. Collections steady to better than a year ago. SEPTEMBER—Youngstown employment increasing; steel mill expansion planned. Pittsburgh building permit value 45% below 1940 in first nine months of this year; retail trade up about 15% from 1940 in September.



TRADE STEADIES AFTER BUYING SPLURGE

The United States Trade Barometer (seasonally adjusted) dropped to 108.9 in September from 120.4 in August. Barometer figures are compiled by L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

CHARACTERIZED by an absence of the anticipatory purchasing which so markedly influenced sales in August and to a lesser extent in September, consumer buying by mid-October had steadied at a dollar volume level not equalled since 1929. Turnover was close to seasonal expectations in most lines. Ready-to-wear sold quite actively under relatively unfavorable weather; furniture and floor covering lines continued in strong demand.

Signs of a temporarily oversold condition were evident in some lines where forward buying had been very heavy. Fur and liquor sales experienced a severe reaction following the surge to buy before the new 10 per cent Federal sales tax became effective. Automobile sales were running about 35 per cent below last year.

Dollar volume in early October chalked up about the same gain over 1940 as in September, when the preliminary U. S. Trade Barometer increased 18 per cent over last year. Price increases of 8 to 15 per cent over 1940 accounted for a major share of the gain in dollar volume. Signs of resistance to price advances had appeared by October, and were especially noticeable in foods and automobiles.

Despite pre-tax rush buying at the end of September in such lines as jewelry, cosmetics, liquors, furs, cameras, and sporting goods, general purchasing for the month failed to expand by the usual seasonal amount over the exceptionally high August level. The seasonally adjusted Trade Barometer declined to 108.9, according to preliminary estimates, but remained highest for the month since 1929. The less-than-seasonal upswing in volume was not unexpected in retail circles, since consumers had borrowed business from September in the heavy anticipatory purchasing of August. As trade increased from July to August, although a decline is usual in the period, the Trade Barometer zoomed to 120.4 from 112.4 in July.

ADJUSTED FOR SEASONAL VARIATION; 1928-32=100

8. Cleveland

JULY, 125.0 JUNE, 125.6 JULY 1940, 97.1
UNADJUSTED: JULY, 113.8; JUNE, 124.3

AUGUST—Percentage retail trade increases over previous August: Cleveland 38, Akron 53, Canton 42, Toledo 35, Lima 5. Wholesale trade increases: Cleveland 40, Akron 21, Toledo 20. Crop prospects above average. Farm income 23% above last year. Production well above 1940, often up in month. Payrolls 53% above 1940 in Akron, 74% in Canton, 56% in Cleveland, 36% in Toledo. Defense work strong stimulant to heavy industry in this area. Collections steady to better than 1940. SEPTEMBER—Employment rising, although large plants curtailed operations due to material shortages. Cleveland bank clearings up 45% from 1940, Toledo 27%, Canton 31%.

9. Cincinnati and Columbus

JULY, 128.8 JUNE, 127.0 JULY 1940, 102.4
UNADJUSTED: JULY, 115.9; JUNE, 128.3

AUGUST—Percentage retail trade increases over previous August: Cincinnati–Columbus 35, Dayton 24, Springfield 20, Zanesville 12. Wholesale trade increases: Cincinnati–Columbus 20. Poultry and dairy prices still rising. Corn crop much better than last year. Production well ahead of last year, often up in month. Cincinnati payrolls up 52% from 1940, Dayton 50%, Columbus 51%. Machine tool output at peak levels. Pottery industry close to capacity. Collections vary. SEPTEMBER—Aircraft, metals, and other leading industries exceptionally active. Cincinnati department store sales up 5 to 15% from 1940, Columbus up 10 to 20%.

10. Indianapolis and Louisville

JULY, 143.0 JUNE, 135.8 JULY 1940, 109.2
UNADJUSTED: JULY, 130.7; JUNE, 139.3

AUGUST—Percentage retail trade increases over previous August: Louisville 40, Evansville 28, Indianapolis 26, Terre Haute 10, Fort Wayne 30. Wholesale trade increases: Louisville 38, Indianapolis 25. Corn yield better than 1940. Indiana farm income up 15% from 1940 in first seven months. Payrolls and production well above 1940. Coal, canning, paper, steel, chemical output expanded. Collections steady to better than 1940. SEPTEMBER—Defense strong stimulant in Fort Wayne, Indianapolis, Louisville. Priorities unemployment in Evansville will affect 3,000 by January. Department store sales up 27% over 1940 in Louisville, 14% in Indianapolis.

11. Chicago

JULY, 107.0 JUNE, 111.6 JULY 1940, 90.7
UNADJUSTED: JULY, 97.3; JUNE, 115.8

AUGUST—Percentage retail trade increases over previous August: Chicago 20, Rockford 45, Peoria 23, South Bend 45, Springfield 10. Chicago wholesale trade up 40%. Record milk output for season. Corn outlook improved. Payrolls and production high above last year. Employment increased in metal, machinery, wood products, apparel, and canning factories. Peoria building permit value double 1940. Collections steady to better than last year. SEPTEMBER—Steel fabricators' backlogs assure capacity operations for two months. Chicago department store sales up 13% over 1940; Peoria bank clearings up 12%, Rockford 55%, South Bend 38%.

12. Detroit

JULY, 136.5 JUNE, 130.2 JULY 1940, 94.0
UNADJUSTED: JULY, 117.4; JUNE, 131.5

AUGUST—Percentage retail trade increases over previous August: Detroit 40, Grand Rapids 26, Saginaw 25. Wholesale trade increases: Detroit 40, Grand Rapids 20. Dry weather hurt crops; corn spotty, apples better than 1940. Record milk output for season. Payrolls and production well above last year, up in month in Grand Rapids. Employment in automobile factories decreased seasonally but 25% above 1940; expanded in metals, paper, chemical, aircraft. Collections steady to better than 1940. SEPTEMBER—Material shortages slow expansion in auto output. Detroit employment 3% above 1940; department store sales up 18%. Furniture factories very active.

13. Milwaukee

JULY, 111.5 JUNE, 118.0 JULY 1940, 90.2
UNADJUSTED: JULY, 106.4; JUNE, 120.6

AUGUST—Percentage retail trade increases over previous August: Milwaukee 25, Madison 5, Green Bay 18. Milwaukee wholesale trade up 25%. Milk production best on record for season. Crop yields below 1940 due to drought. Pastures deteriorated sharply. Payrolls and production much better than last year. Payrolls of leading Milwaukee industries at record high. Collections steady to better than 1940. SEPTEMBER—Hosiery mills adjusting to substitute fibers, half of workers employed full time. Large construction order to Milwaukee railway shop; department store sales up 19% from 1940. Substantial "priorities unemployment" facing Kenosha–Racine area.

14. Minneapolis and St. Paul

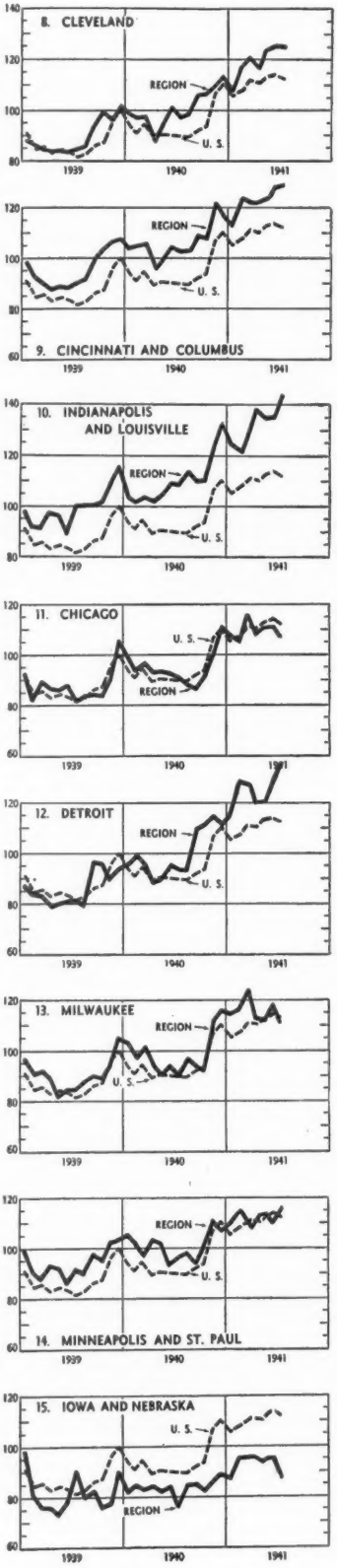
JULY, 116.0 JUNE, 110.4 JULY 1940, 97.1
UNADJUSTED: JULY, 117.3; JUNE, 118.6

AUGUST—Percentage retail trade increases over previous August: Duluth–Minneapolis–Fargo–Billings–Great Falls 10, St. Paul 18, La Crosse–Butte 11, Sioux Falls 12. Wholesale trade increases: Duluth 15, Minneapolis 10, Great Falls 5. Dry weather hurt some crops. Large grain crop. Ranges and livestock good. Payrolls and production generally above 1940. Flour, feed, linseed oil, farm equipment sales substantially above 1940. Two Butte copper mines closed due to labor shortage. Collections vary. SEPTEMBER—St. Paul small arms plant started production; bomb shell plant will employ 2,000 by January; retail trade 20 to 30% above 1940.

15. Iowa and Nebraska

JULY, 87.8 JUNE, 95.7 JULY 1940, 76.1
UNADJUSTED: JULY, 85.1; JUNE, 94.6

AUGUST—Percentage retail trade increases over previous August: Burlington 40, Cedar Rapids–Dubuque–Lincoln 10, Davenport 20, Des Moines 15, Sioux City 18, Omaha 20. Wholesale trade increases: Sioux City 11, Des Moines 10, Omaha 25. Corn prospects below last year in Iowa, due to drought, above in Nebraska. Farm income better than last year, particularly in Iowa. Payrolls and production well above 1940. Des Moines silk mills partially closed. Collections steady to better than 1940. SEPTEMBER—Production in Cedar Rapids best in years. Subcontracting aiding Des Moines industry, and Newton washing machine factory. Nebraska department store sales 12% above 1940.



Rural areas continued a bright spot in the trade picture in August and September, stimulated by harvesting, and the best farm wage rates and income in over a decade. Industrial centers in the Middle West and on the Pacific Coast also registered outstanding increases in trade. However, in September and October the South, which has outpaced the country all year in gains over 1940, reported smaller increases than other leading sections.

According to more detailed regional information now available for twenty-nine regions for July, Detroit, one of the best performers all year, again headed the list with a rise of 45 per cent over 1940, widest gain recorded this year in any region. Thirteen regions altogether, ten of which were located in the South and Middle West, registered greater increases over 1940 than the country-wide gain of 24 per cent. In only five Western areas did trade expand by less than 20 per cent.

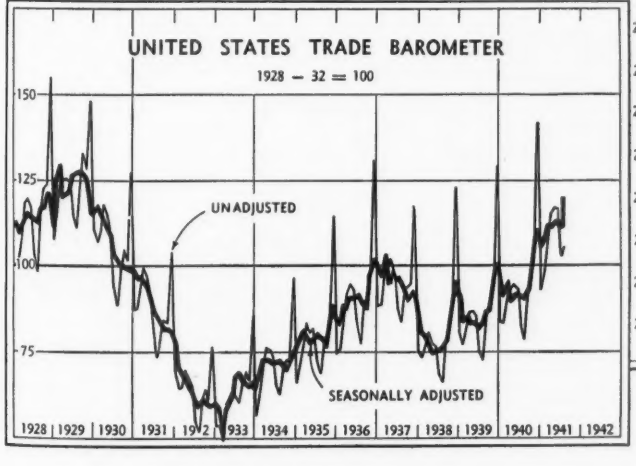
A somewhat greater drop in volume than usual between June and July caused the trade index to decline 1 per cent. However, in seventeen regions located in the East, Middle West, Southwest, and South the indexes advanced.

(Charts and trade reports for each region begin on page 38)

THE MAP AND CHART compare the July, 1941, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1939, on pages 38, 40, 42, 43. They are composites based on bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (*Editor and Publisher*), which made those indexes more accurate, are included. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before regional figures are available.

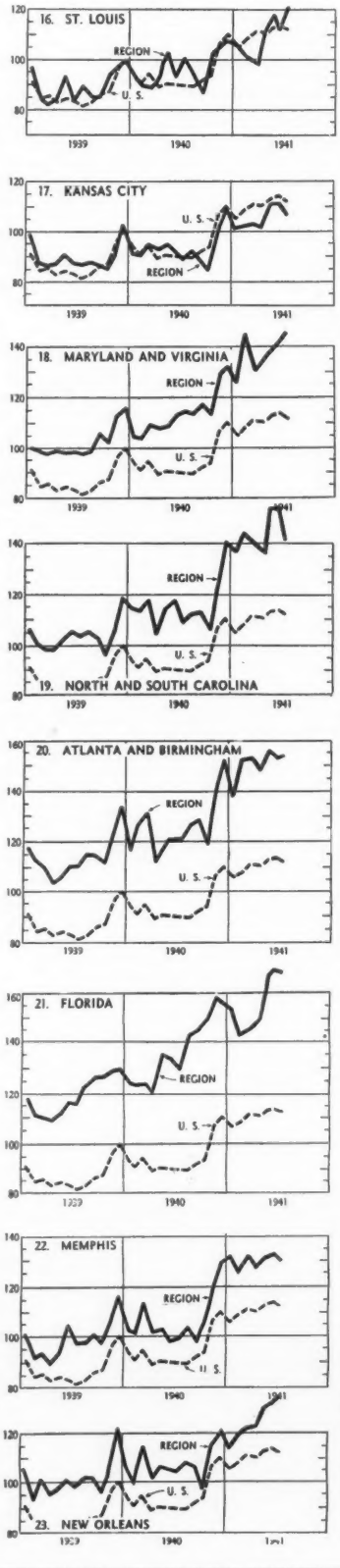
THE PARAGRAPHS which are printed opposite the twenty-nine regional charts give figures and trade changes for the months of August and September based upon opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

Region	July 1941 Regional Index	July 1941 Compared with July 1940 (%)	Retail 1935 Sales %
U. S.	112.4	+24.1	100.0
1. NEW ENGLAND	96.8	+23.2	7.8
2. NEW YORK CITY	91.9	+23.0	10.3
3. ALBANY AND SYRACUSE	114.1	+23.8	2.5
4. BUFFALO AND ROCHESTER	100.4	+28.7	1.9
5. NORTHERN NEW JERSEY	103.3	+27.8	2.9
6. PHILADELPHIA	109.9	+23.3	6.2
7. PITTSBURGH	109.4	+21.0	3.7
8. CLEVELAND	125.0	+28.7	2.9
9. CINCINNATI AND COLUMBUS	128.8	+25.8	3.1
10. INDIANAPOLIS AND LOUISVILLE	143.0	+31.0	2.6
11. CHICAGO	107.0	+18.0	6.4
12. DETROIT	136.5	+45.2	4.0
13. MILWAUKEE	111.5	+23.6	2.2
14. MINNEAPOLIS AND ST. PAUL	116.0	+19.5	4.5
15. IOWA AND NEBRASKA	87.8	+15.4	3.0
16. ST. LOUIS	121.1	+20.5	2.5
17. KANSAS CITY	107.2	+21.3	3.6
18. MARYLAND AND VIRGINIA	145.4	+26.9	3.8
19. NORTH AND SOUTH CAROLINA	141.7	+29.8	2.1
20. ATLANTA AND BIRMINGHAM	153.9	+27.3	3.5
21. FLORIDA	167.9	+31.1	1.3
22. MEMPHIS	130.1	+31.0	1.5
23. NEW ORLEANS	134.4	+29.1	1.0
24. TEXAS	143.0	+23.6	4.5
25. DENVER	124.9	+24.0	1.3
26. SALT LAKE CITY	116.9	+17.8	.8
27. PORTLAND AND SEATTLE	120.6	+27.2	2.7
28. SAN FRANCISCO	116.6	+17.5	3.4
29. LOS ANGELES	120.8	+20.4	3.9

ADJUSTED FOR SEASONAL VARIATION; 1928-32=100



16. St. Louis

JULY, 121.1 JUNE, 112.6 JULY 1940, 100.5
UNADJUSTED: JULY, 103.9; JUNE, 115.8

AUGUST—Percentage retail trade increases over previous August: St. Louis 28, Springfield 25, Quincy 12. St. Louis wholesale trade up 25%. Corn, oats, barley yields below 1940 due to drought; fruit yields above. Farm income 15 to 20% above 1940. Payrolls and production much better than a year ago, up in month in Quincy. Defense program stimulating output. Collections steady to better than last year. SEPTEMBER—Shoe and heavy industries operating close to capacity; backlogs large. Record sales at St. Louis sealskin auction; substantial orders to men's clothing manufacturers. St. Louis department store sales up 15% from 1940.

17. Kansas City

JULY, 107.2 JUNE, 112.3 JULY 1940, 88.4
UNADJUSTED: JULY, 101.9; JUNE, 105.6

AUGUST—Percentage retail trade increases over previous August: Kansas City–Tulsa 20, St. Joseph 23, Topeka 15, Wichita 40, Oklahoma City 10. Wholesale trade increases: Kansas City 20, Oklahoma City 10. Lack of rain hurt crops. Farm income 15 to 20% above 1940. Payrolls and production generally above last year. About 5,000 people have left St. Joseph for defense jobs. Coal, oil output well ahead of 1940. Collections steady to better than last year. SEPTEMBER—Cotton picking under way; yield below 1940. Kansas City gift show buying brisk. Kansas City department store sales up 16%, Wichita 27%, St. Joseph 7%, Oklahoma City 13%, Tulsa 10%.

18. Maryland and Virginia

JULY, 145.4 JUNE, 140.4 JULY 1940 114.6
UNADJUSTED: JULY, 128.1; JUNE, 140.8

AUGUST—Percentage retail trade increases over previous August: Baltimore 30, Washington 34, Norfolk 40, Richmond–Roanoke 18, Lynchburg 15, Bristol 10. Wholesale trade increases: Baltimore 10, Norfolk 30, Richmond 8. Tobacco, cotton, potato, and peanut yields below 1940. Rain needed. Tobacco prices much higher than last year. Production much better than 1940; Maryland payrolls up 57%. Silk industry less active, adjusting to substitute fibers. Collections steady to better than 1940. SEPTEMBER—Cotton and rayon mills at capacity. Aviation, steel, and shipyards exceptionally active. Baltimore bank clearings 44% above 1940, Richmond 42%.

19. North and South Carolina

JULY, 141.7 JUNE, 155.1 JULY 1940, 109.2
UNADJUSTED: JULY, 125.7; JUNE, 143.5

AUGUST—Percentage retail trade increases over previous August: Asheville–Winston-Salem–Greenville 15, Charlotte 30, Raleigh 10, Wilmington 18, Charleston 20, Columbia 25. Wholesale trade increases: Wilmington 20, Charleston 0, Winston-Salem 10. Tobacco and cotton yields below last year; tobacco prices 45% higher. Payrolls and production well above 1940, down in month in Winston-Salem due to curtailed hosiery production. Building permit value in leading cities 15% below 1940. Collections steady to better than 1940. SEPTEMBER—Cotton mills and shipyards very active. Charleston bank clearings up 40% from 1940, Columbus 27%.

20. Atlanta and Birmingham

JULY, 153.9 JUNE, 153.2 JULY 1940, 120.9
UNADJUSTED: JULY, 134.0; JUNE, 144.3

AUGUST—Percentage retail trade increases over previous August: Atlanta 35, Augusta 20, Macon 50, Savannah 25, Birmingham–Chattanooga 30, Mobile 10, Knoxville 23, Nashville 29. Wholesale trade increases: Atlanta 36, Birmingham 25. Dry weather hurt crops; cotton and tobacco yields below 1940; farm income 10 to 15% over last year. Employment up 18 to 23% from a year ago. Mobile shipyards received $83,000,000 contracts. Pig iron output increased. Collections generally better than 1940. SEPTEMBER—Textile and building industries at capacity. Atlanta department store sales 13% above 1940, Nashville 9%. Hosiery mills adjusting to substitute fibers.

21. Florida

JULY, 167.9 JUNE, 168.8 JULY 1940, 128.1
UNADJUSTED: JULY, 143.9; JUNE, 139.4

AUGUST—Percentage retail trade increases over previous August: Jacksonville 20, Miami 5, Tampa 40. Wholesale trade increases: Jacksonville 17, Tampa 45. Sugar cane crop early, unusually good. Fruit crop prospects slightly below 1940. Employment 9% above last year, payrolls up 18%. Sawmills and lumber trade working overtime. Paper and pulp mills operating at full capacity, demand heavy. Turpentine price at 20-year peak. Cigar factories active, 14% above last year in Tampa. Collections steady with last year. SEPTEMBER—Value of building permits in leading cities 14% below 1940. Bank clearings 40% above last year in Jacksonville, 23% in Tampa.

22. Memphis

JULY, 130.1 JUNE, 133.0 JULY 1940, 99.3
UNADJUSTED: JULY, 117.4; JUNE, 120.2

AUGUST—Percentage retail trade increases over previous August: Memphis 30, Fort Smith 31, Little Rock 35. Memphis wholesale trade up 10%. Arkansas rice crop prospects above average and last year. Cotton crop outlook below last year, damaged by dry weather and insects. Potato yield lower than 1940. Little Rock building permit value more than three times greater than last year. Payrolls and production better than 1940, steady in month. Collections better than last year. SEPTEMBER—Cotton picking under way; pickers' wages increased. Memphis department store sales up 15% over 1940, Little Rock up 20%. Substantial orders in furniture factories.

23. New Orleans

JULY, 134.4 JUNE, 131.7 JULY 1940, 104.1
UNADJUSTED: JULY, 119.1; JUNE, 123.9

AUGUST—Percentage retail trade increases over previous August: New Orleans 25, Jackson 13. New Orleans wholesale trade up 25%. Corn, sweet potato, sugar cane yields above average. Cotton yield below 1940. Cotton ginning, rice threshing, and milling in full swing. Payrolls up 55% from 1940 in Mississippi, 30% in Louisiana. Many defense projects completed in New Orleans area. Army maneuvers in Louisiana stimulated sales of supplies, transportation. Collections steady with 1940. SEPTEMBER—Oil industry more active. Lake Charles business booming from Army trade. New Orleans bank clearings up 59% from 1940, Meridian 25%.

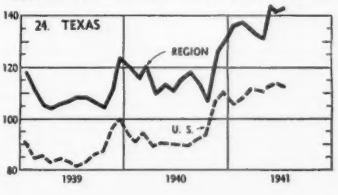
ADJUSTED FOR SEASONAL VARIATION; 1928-32=100

24. Texas

JULY, 143.0 JUNE, 141.8 JULY 1940, 115.7

UNADJUSTED: JULY, 124.0; JUNE, 134.7

AUGUST—Percentage retail trade increases over previous August: Dallas 30, Fort Worth 33, El Paso 40, Houston 20, Beaumont 15, Waco 22, Austin 28, San Antonio 41, Shreveport 20. Wholesale trade increases: Dallas–Shreveport 15, Houston 18, San Antonio 40, Fort Worth 46. Crop yields above average; record rice crop. Ranges excellent. Texas employment 15% above 1940, payrolls up 28%; cement output up 80%; cotton mill activity 33%; crude oil output 20%. Collections steady to better than 1940. SEPTEMBER—Garland to get $2,400,000 tank engine plant. Dallas bank clearings up 39% from 1940, Fort Worth 53%, Houston 32%, Shreveport 27%.

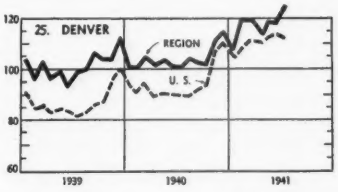


25. Denver

JULY, 124.9 JUNE, 118.8 JULY 1940, 100.7

UNADJUSTED: JULY, 115.3; JUNE, 119.4

AUGUST—Percentage retail trade increases over previous August: Denver 25, Albuquerque 10. Denver wholesale trade up 20%. Sugar beet yield better than average. Feed crop prospects very good. Ranges and cattle in excellent condition. Colorado fruit and vegetable shipments below 1940. Payrolls and production above 1940, up in month in Denver. Lumber mills very active. Steel operations at full capacity. Building progressing rapidly. Collections steady to better than 1940. SEPTEMBER—Good tourist season and large influx of workers for arms plant benefited Denver trade. Denver department store sales increased 19% over a year ago.

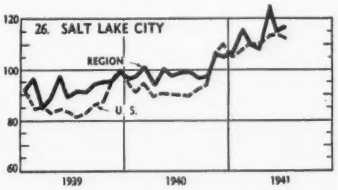


26. Salt Lake City

JULY, 116.9 JUNE, 114.7 JULY 1940, 99.2

UNADJUSTED: JULY, 106.1; JUNE, 113.4

AUGUST—Salt Lake City retail trade 20% ahead of last August and last month. Wholesale trade up 20% from a year ago, 8% from July. Crop acreage in yield substantially ahead of last year. Potato prospects below last year, but better than average. Feed crop outlook very good. Payrolls and production higher than last year, increased in month. Mining equipment, construction industries, particularly active. Collections steady with a year ago. SEPTEMBER—Expanding construction of defense projects considerably increasing payrolls and employment. Salt Lake City bank clearings 31% better than last year; Ogden up 56%, Boise up 23%.

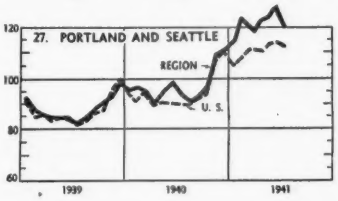


27. Portland and Seattle

JULY, 120.6 JUNE, 128.2 JULY 1940, 94.8

UNADJUSTED: JULY, 115.7; JUNE, 126.4

AUGUST—Percentage retail trade increases over previous August: Seattle 45, Tacoma 50, Spokane 21, Portland 35. Wholesale trade increases: Seattle 30, Portland 25. Outlook for grapes and pears below last year, prunes above. Wheat yield well above average; prices high. Payrolls and production well above last year, up in month in Portland and Seattle. Seattle defense orders total $961,628,000. Value of building permits in leading cities about double 1940. Collections steady to better than 1940. SEPTEMBER—Lumber mills at capacity. Shipbuilding, aircraft still expanding. Portland department store sales up 24% over 1940, Seattle 35%.

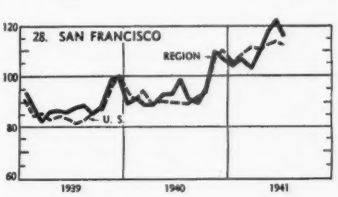


28. San Francisco

JULY, 116.6 JUNE, 122.0 JULY 1940, 99.2

UNADJUSTED: JULY, 106.0; JUNE, 118.1

AUGUST—Percentage retail trade increases over previous August: San Francisco 25, Oakland 20, Sacramento 15, Fresno 30. San Francisco wholesale trade up 40. Grape, raisin prices 25 to 40% above 1940, yield good. Sugar beet prospects above average. Fruit shipments heavy. Payrolls and production steady to better than 1940. Canneries closing peach, tomato, and squash packs. Defense industries at capacity. Collections steady to better than 1940. SEPTEMBER—Aircraft and shipbuilding continue to expand. San Francisco department store sales up 16% from 1940, Oakland 18%. Suspension of Japanese trade cut shipping business.

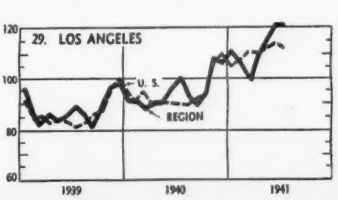


29. Los Angeles

JULY, 120.8 JUNE, 121.1 JULY 1940, 100.3

UNADJUSTED: JULY, 111.7; JUNE, 117.0

AUGUST—Percentage retail trade increases over previous August: Los Angeles 35, San Diego 55, Phoenix 30. Los Angeles wholesale trade up 43%. Cotton crop early, yield better than 1940. Orange crop outlook above average. Almond crop much below average. Payrolls and production steady to better than 1940. Arizona mining wages increased. Defense output and building activity continue to expand. Collections better than 1940. SEPTEMBER—Tourist season better than last year. Aircraft parts factory under construction near Phoenix to start production in November, will employ 1,500. Los Angeles department store sales up 18% from 1940.



FREIGHT YARD AT NEW HAVEN, CONN.—PHOTOGRAPH FROM THORNTON

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities *Thousands of dollars*			Total Liabilities *Thousands of dollars*			Dun's Insolvency Index† Unadjusted			Dun's Insolvency Index† Adjusted‡		
	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939
Jan.	1,124	1,237	1,567	11,888	15,279	20,790	12,535	15,805	24,860	62.2	67.1	86.0	51.8	54.6	69.9
Feb.	1,129	1,042	1,202	13,483	13,472	13,582	14,323	13,600	13,589	71.3	66.7	78.0	62.0	58.0	67.8
Mar.	1,211	1,197	1,322	13,444	11,681	19,002	14,754	12,130	19,315	62.5	62.6	72.6	61.3	61.4	71.9
Apr.	1,149	1,291	1,331	13,827	16,247	18,579	15,068	17,114	21,837	61.5	70.1	73.1	58.6	67.4	71.0
May	1,119	1,238	1,334	10,065	13,068	15,897	10,215	13,437	20,734	59.9	66.9	70.5	58.7	65.6	69.8
June	970	1,114	1,119	9,449	13,734	12,581	10,183	25,101	12,737	53.9	62.5	66.5	55.0	64.4	69.3
July	908	1,175	1,153	13,422	16,213	14,999	14,097	17,756	23,634	50.4	63.0	63.0	56.0	70.8	70.8
Aug.	954	1,128	1,126	11,134	12,997	12,637	11,949	13,223	13,092	49.0	60.6	61.4	57.0	71.3	72.2
Sept.	....	976	1,043	....	11,397	10,545	....	15,473	11,729	...	54.3	59.0	...	64.6	70.2
Oct.	....	1,111	1,234	....	12,715	17,464	....	14,236	18,119	...	61.7	67.0	...	67.1	72.8
Nov.	....	1,024	1,184	....	16,572	13,201	....	17,987	14,874	...	61.9	72.6	...	59.5	69.8
Dec.	....	1,086	1,153	....	13,309	13,243	....	14,480	14,934	...	58.0	65.0	...	57.4	64.3
Total	....	13,619	14,768	....	166,684	182,520	....	190,342	209,454	...	63.0	60.6	...	...	...

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL *and* COMMERCIAL FAILURES

NUMBER OF AUGUST FAILURES RISES

AN increase of 5 per cent in the number of failures during August raised the total to 954 from 908 reported in July. Liabilities, amounting to $11,134,000, were again relatively low, although they did not shrink to the figures recorded in May and June of this year of approximately $10,000,000. A year ago, in August 1940, failures numbered 1,128 with liabilities of $12,997,000.

The increase in actual numbers reported in August was due entirely to additional working days. On a daily basis failures were off 3 per cent from July, and when related to the number of concerns in business, resulted in a drop in the rate of failure (Dun's Insolvency Index) from 50.4 in every 10,000 concerns in July to 49.0 in August. This 3 per cent decrease, however, fell short of the customary August drop, and the seasonally adjusted index rose one point, from 56.0 in July, to 57.0.

The unadjusted index has dropped in each successive month from a high of 71.3 in February, and according to the usual seasonal pattern should reach its lowest point in the month of September. That the degree of decline from month to month has usually been in excess of normal is indicated by a general decline in the index when adjusted for seasonal variation. From a high of 62.0 in February it reached a Midsummer low of 55.0 in June. During the last two months, however, failure declines were less than normal and a very moderate rising movement was initiated in the adjusted index by a one point rise in July followed by the current one point rise in August.

The unusually sharp decline in the index in June was caused primarily by sharply reduced retail trade and construction failures. In July and August the retail declines were normal and were accompanied by a less than normal falling off in manufacturing failures and sharp increases in construction and service failures.

The general level of August failures was about 20 per cent under that of August 1940, when the unadjusted index stood at 60.6 and the adjusted index at 71.3. Failures at that time, however, on an adjusted basis, were at their highest point of the year and fell off sharply thereafter. During the last year the index has dropped more than the number of failures because of the increased number of concerns in business.

Manufacturing failures reported in August showed little change in number from July, although on a daily basis a decline developed which was about normal for the season. Fewer failures were apparent in most of the individual manufacturing lines, although in the large food group, noticeably among bakeries, increases occurred. Advances were also noted in the leather goods

group. Manufacturing liabilities were only about half as large as in July. Manufacturing failures as a group were 15 per cent lower than a year ago, with fewer cases reported in all lines except the same food and leather groups.

Industry Group	August 1941	August 1940	*Per Cent Change*
Manufacturing	166	196	−15
Wholesale Trade ..	81	102	−21
Retail Trade	585	732	−20
Construction	76	49	+55
Commercial Service	46	49	− 6
Total	954	1,128	−15

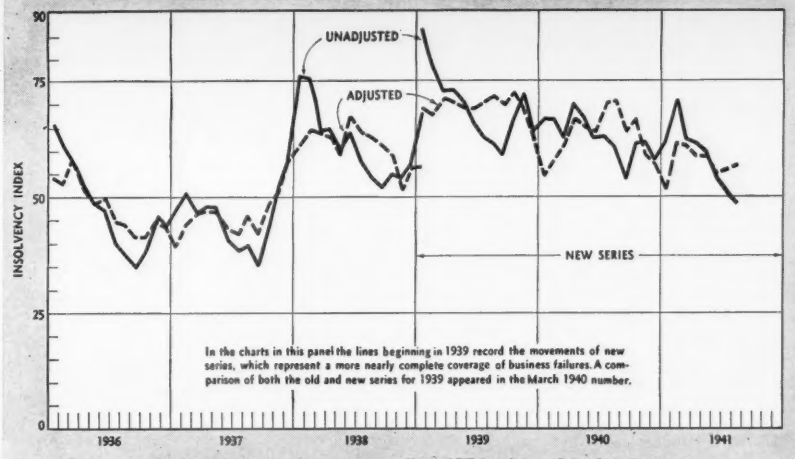
Wholesale trade failures, when reduced to a daily average, were unchanged from July. Diverse trends were in evidence among the different lines of business. Increases occurred in food products and in automotive equipment dealers, and failures in those lines exceeded those of a year ago.

Among retailers, failures per day continued an unbroken monthly drop since February. They were noticeably low in general merchandise stores, apparel, furniture and home furnishings, and among motor vehicle dealers. Some increase occurred in food stores, and drug store defaults were definitely more numerous than in July.

Trade failures showed more of a decline from last year's level than did manufacturing failures, and wholesale trade drop exceeded the retail drop of 20 per cent by one point. Failures in all retail lines except foods and drugs were down—notably so in general merchandise, clothing, and furniture lines.

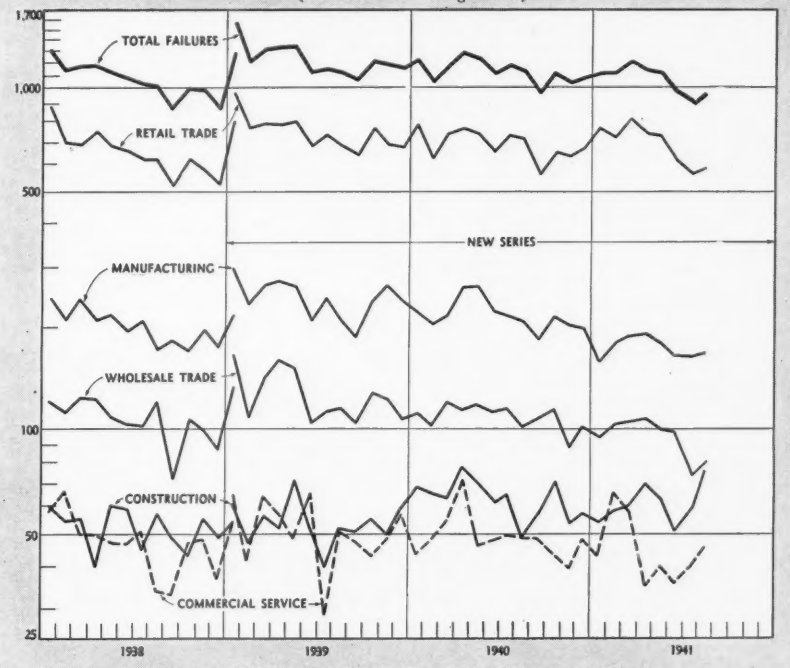
One of the striking features of the August record was the sharp increase in failures in construction lines. It continued last month's rise and carried failures to their highest level since April 1940, and to a point 55 per cent higher than a year ago. Sub-contractors were not affected, but failures among general contractors increased from 18 last month to 31 in August, a daily average increase of 60 per cent. In June, 13 went out. It has been noted that many of these contractors were engaged in speculative building and had been financed under the FHA plan. Liabilities per failure among these con-

MONTHLY TREND OF THE INSOLVENCY INDEX



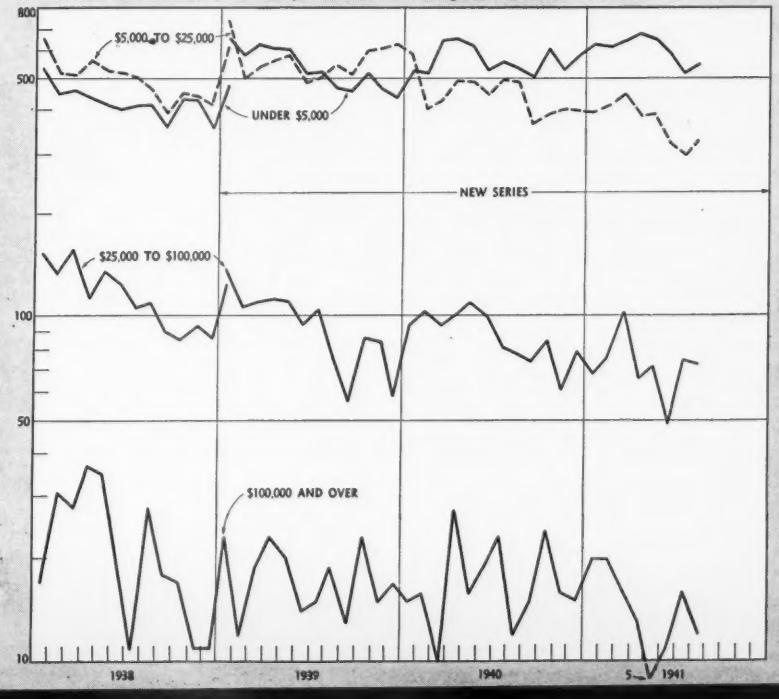
FAILURES BY INDUSTRIAL GROUPS

(The Vertical Scale is logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is logarithmic)



tractors averaged $26,000 in August, compared with $34,000 in July.

Size Group Liabilities	August 1941	August 1940	Per Cent Change
Under $5,000	542	544	0
$5,000–$25,000	327	493	−34
$25,000–$100,000	73	79	− 8
$100,000 and over	12	12	0
Total	954	1,128	−15

Failures with liabilities between $25,000 and $100,000 and those with debts of over $100,000 were fewer in August than in July, although they were more numerous in each group than earlier in the Summer. The very large failures were down from 16 to 12. There was little significance in the movements of the smaller failures. Compared with a year ago, the very small failures and the very large ones were unchanged in number. Those in the second size group, with debts from $5,000 to $25,000, were down 23 per cent, and substantial failures off 8 per cent.

In New England and in the Middle Western districts of Cleveland, St. Louis, and Kansas City, failures were very much reduced in August; also in Chicago, although to a lesser extent. In the scattered sections covered by the New York, Atlanta, and Minneapolis districts, levels were little changed from July, while in the remaining districts of Philadelphia, Richmond, Dallas, and San Francisco failures rose. These movements were analyzed from daily averages during July and August.

Cumulative failures from January through August of this year were 9 per cent under those in the corresponding period last year. The Southern districts of Atlanta and Richmond led the decline with failures down more than a quarter. Chicago and Minneapolis followed with declines of a fifth each. In both the New York and Philadelphia districts there were declines of 9 per cent. The districts of Kansas City and St. Louis, also neighbors, reported similar drops of 6 per cent. The Boston, Dallas, and San Francisco districts were alike in reporting small increases over last year.

Federal Reserve Districts	Jan.-Aug. 1941	Jan.-Aug. 1940	Per Cent Change
Atlanta	334	467	−28
Richmond	281	387	−27
Chicago	1,089	1,351	−19
Minneapolis	122	150	−19
Philadelphia	569	622	− 9
New York	3,156	3,461	− 9
Kansas City	347	368	− 6
St. Louis	268	284	− 6
Cleveland	462	478	− 3
San Francisco	997	962	+ 4
Boston	723	687	+ 5
Dallas	216	205	+ 5
Total	8,564	9,422	− 9

Canadian failures numbered 67 in August, compared with 58 in July and 86 a year ago. Liabilities of $538,000 exceeded the $418,000 reported last month, but were lower than the $628,000 in the corresponding month of 1940.

Failures by Divisions of Industry—August 1941 and 1940

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Aug. 1941	July 1941	Aug. 1940	Aug. 1941	July 1941	Aug. 1940
Total United States	954	908	1,128	11,134	13,422	12,997
Mining and Manufacturing (total)	166	165	196	3,799	6,698	4,386
*Mining—Coal, Oil, Miscellaneous	3	9	8	56	429	421
Food and Kindred Products	46	36	21	1,503	731	770
Textile Mill Products and Apparel	31	34	46	357	562	1,171
Lumber and Lumber Products	10	18	28	165	597	845
Paper, Printing and Publishing	18	19	24	712	584	288
Chemicals and Allied Products	5	4	9	61	55	31
Leather and Leather Products	12	5	9	314	72	197
Stone, Clay, and Glass Products	3	1	3	55	272	16
Iron and Steel, and Products	8	6	7	280	126	123
Machinery	7	6	14	95	346	325
Transportation Equipment	2	2	4	45	36	40
Miscellaneous	21	25	23	156	2,888	159
Wholesale Trade (total)	81	74	102	1,439	1,573	1,721
Food and Farm Products	39	24	35	879	569	548
Apparel	1	4	9	3	26	110
Dry Goods	2	3	8	19	86	130
Lumber, Building Materials, Hardware	2	6	8	64	220	184
Chemicals and Drugs	4	3	6	34	15	90
Motor Vehicles and Automotive Equip.	9	3	8	103	22	324
Miscellaneous	24	31	28	337	635	335
Retail Trade (total)	585	570	732	3,492	3,579	5,056
Food and Liquor	205	184	202	822	735	1,097
General Merchandise	19	29	44	136	147	255
Apparel and Accessories	72	77	146	380	432	800
Furniture, Home Furnishings	29	37	58	166	517	572
Lumber, Building Materials, Hardware	30	29	33	334	166	311
Automotive Group	33	36	41	179	201	284
Eating and Drinking Places	95	95	116	720	621	1,102
Drug Stores	51	40	37	412	257	223
Miscellaneous	51	43	55	343	503	412
Construction (total)	76	59	49	1,732	1,072	1,272
General Building Contractors	31	18	16	810	610	774
Building Sub-contractors	40	40	32	278	412	412
Other Contractors	5	1	1	644	50	86
Commercial Service (total)	46	40	49	672	500	562
Passenger and Freight Trans.—Highway	11	9	9	192	120	123
Miscellaneous Public Services	1	1	..	12	59	..
Hotels	5	3	5	62	50	108
Cleaning, Dyeing, Repairing	3	5	13	28	31	152
Laundries	5	2	3	290	140	62
Undertakers	1	3	1	10	15	5
Other Personal Services	6	9	6	14	46	16
Business and Repair Services	14	8	12	64	39	96

* Subtract this item to obtain manufacturing total.

Behind Ramparts of Rolling Steel

Now, in this autumn of 1941, in mounting numbers come ramparts of rolling steel for our Armored Force from industries which once were devoted solely to the arts of peace. And from a host of other plants which even a few years ago were as remote from the making of munitions as they were from war itself come hundreds of no less essential *contributions to defense.*

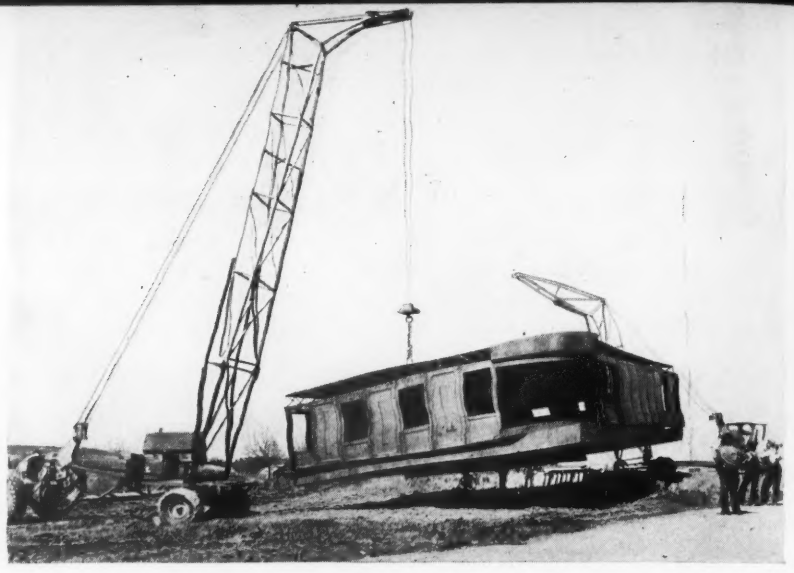
As the national effort broadens, more and more of these often unsung industrial fighters for democracy play their vital parts. Behind them, in turn, stands the mobilized bank *credit of the country, speeding* in many ways the great task at hand. For bank credit assists in converting plants to new uses, in helping to create additional plants, in making needed tools, in financing purchases of materials, in facilitating subcontracting and in dozens of other ways, *all necessary to swift and sure completion of rearmament.*

The Chase National Bank, in its manifold relationships with banking and industry throughout the country, is aiding in vigorous measure in the rearming of the nation.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation



WRLC—Prefabricated by arc welding at the Toccoa, Ga., plant of R. G. LeTourneau, Inc., the building for LeTourneau-sponsored radio station WRLC was hauled to its site and lowered into place.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Tunnel—Last March amid public rejoicings and some private apprehension, Mobile, Ala., opened the only underwater vehicular tunnel in the South. The nearest similar project is the Detroit tunnel.

Mobile's Bankhead Tunnel had no rich stream of traffic to anticipate; no previous tunnel of this size had been financed on such sparse prospects. About the best argument for building it was Mobile's need to cut off a 7-mile, roundabout route to the heavily travelled U. S. Highway 90.

To pay for the project, the Public Works Administration put up $1,500,000 and the Reconstruction Finance Corporation made a $2,500,000 loan against revenue bonds of the future artery. The first six months of operation weren't expected to earn interest on the bonds, to say nothing of providing anything for debt retirement.

To its sponsor's surprise, Bankhead Tunnel thus far has over-earned its bond requirements by about $100,000; and this on a 25-cent toll.

Construction of the tunnel was by the dredging of a trench across the Mobile River bed. Seven sections of a 2,000-foot steel and concrete tube were sunk there and covered with concrete.

Mobile engineers Wilberding & Palmer, Inc., planned the tunnel after first showing the project was within the city's financial reach. Land acquisition costs were zero and no tunnel authority was formed, the passageway being considered a street extension. The tunnel has a clerical staff of one man. Its only other employees collect tolls and operate the ventilating system.

SUBCONTRACTED—*More than 225 other companies besides the Allis-Chalmers Company had a hand in building the gun mount for this 90 mm. anti-aircraft cannon, thanks to subcontracting of work among them.*

Free Trade-Mark—For fourteen years the Aluminum Company of America expended money, thought, and sales energy on a registered trade-mark, Alclad, the name of an aluminum composition sheet which is standard covering on all-metal airplanes. But at the end of this September the company announced it was giving up its exclusive rights to the trade-mark. Hereafter anyone producing that kind of sheet can call it Alclad.

Abandonment of the trade-mark was credited to production by other companies of similar sheets ultimately destined for government use. The established word Alclad has become the most convenient means for identifying them all.

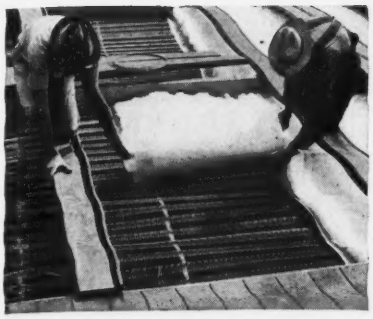
Alclad sheet consists of a strong aluminum alloy core covered by a layer of high-purity aluminum which has a high resistance to corrosion. The covering protects the core from contact with corrosive agents and also provides electrolytic protection for cut edges, scratched or abraded areas, and rivet heads.

Boots—Rudyard Kipling once immortalized the soldier's footgear in a poem about "Boots, boots, boots." U. S. soldiers, 1941 issue, however, have a new kind of boot, or more exactly, shoe. Heels and soles are made by a tire manufacturer, B. F. Goodrich Company, Akron, Ohio, and contain a tire cord fabric in a rubber compound.

Also marketed under the name Highflex Cord, the soles prevent slipping on wet surfaces, may outwear leather and even hob-nailed ones.

For Bombers—Windowless side walls which contain 203 carloads of glass are a construction feature at two new Army bomber assembly plants being erected at Fort Worth, Tex., and Tulsa, Okla., for the War Department. The plants are identical, but one will be operated by Consolidated Aircraft, the other by Douglas Aircraft.

Shatterproof and non-combustible, the side walls and roofs combine prefabricated steel panels and three types



INSULATION—*As the white glass wool which insulates Fort Worth and Tulsa bomber plants is applied, edges are lapped.*

of glass fiber. By blanketing the interiors with several layers of these materials, engineers of The Austin Company, Cleveland, Ohio, expect to eliminate or control all condensation and to reduce heat transference to a minimum, thus reducing the cooling load.

Each plant is 4,000 feet long, covers 1,294,000 square feet, and requires 7,000 tons of refrigeration, circulating in its cooling system.

The buildings have 13-inch thick curtain walls of face brick and acoustic block, 12-feet high. These walls are specially reinforced with trussed rods to be shatterproof. Above this height the walls are of metal lathe combined with alternate layers of Fiberglas and vapor-seal paper held together by asphalt. The result is a structure with high acoustical and insulating qualities.

At the working plane there will be at least 35 foot-candles of illumination provided by 17,000 two-tube, 200-watt, rectified fluorescent units, developed by the General Electric Company for high bays in industrial buildings.

Monorail systems in the two plants can carry a fully-assembled 4-engine bomber the length of the 4,000-foot assembly aisle. The planes go through the final stages of assembly on parallel conveyors extending nearly 2,000 feet through the aisles.

Developer—Using only 2 gallons of water daily instead of the 3,600 previously required, a giant developing machine at the East Pittsburgh Works of Westinghouse Electric & Manufacturing Company is capable of turning out 18,000 drawings daily. The reproductions appear as black lines on white.

Reason for use of so little water is that the developing machine only dampens the back of prints to keep

ALWAYS READY FOR ACTION!

. . . this extinguisher needs no annual recharging

NEXT time you buy extinguishers think twice about maintenance. Many extinguishers require emptying, refilling every twelve months. This costly procedure can't be skipped without running risks in emergencies.

All you need do with LUX extinguishers is *weigh them annually.* LUX carbon dioxide does not deteriorate in the extinguisher, won't corrode parts, or threaten LUX's quick effectiveness when fire breaks out. Weighing tells immediately if any LUX gas has been removed. Most LUX users report that their extinguishers *have never required extra servicing.*

This is another *plus* value in fire fighting brought to you by LUX. You profit from *lower maintenance costs, assured operation* in emergencies.

Here are the PLUS values in fire-fighting

1. LUX carbon dioxide gas is one of the fastest known extinguishing agents.
2. LUX extinguishers are effective on both electrical and flammable liquid fires.
3. LUX gas is clean, non-damaging, non-contaminating, non-toxic.
4. *45,000% expansion* drives LUX gas throughout fire area, despite obstructions.
5. Annual recharging is not necessary with LUX. Simply weigh periodically.
6. LUX service depots are maintained in principal cities.

LUX SNUFFS OUT FIRE

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CRANE'S PAPER
REFLECT
THE PRIDE YOU TAKE
IN DOING THINGS
THE QUALITY WAY

Pride of performance speeds production, maintains quality, gives tone and character to all activities. It is this quality way of doing things that brooks no neglect of detail; that writes a routine letter with as much care as it does one of great import.

Men possessed of this pride find no other paper to match it but Crane's, for Crane's is also a product of pride, of a will to make only the finest of papers from the most durable of materials (cotton and linen fibres)—adhered to with the utmost fidelity these 140 years.

If your present letterhead falls short of the mark you have set for yourself, ask your printer, lithographer or engraver to show you the examples he has, newly produced on Crane's Papers. You will find them helpful in designing one that will fully reflect the pride you take in all details of your business.

Crane's
FINE PAPERS

CRANE'S BOND
CRANE'S JAPANESE LINEN
CRANE'S CREST
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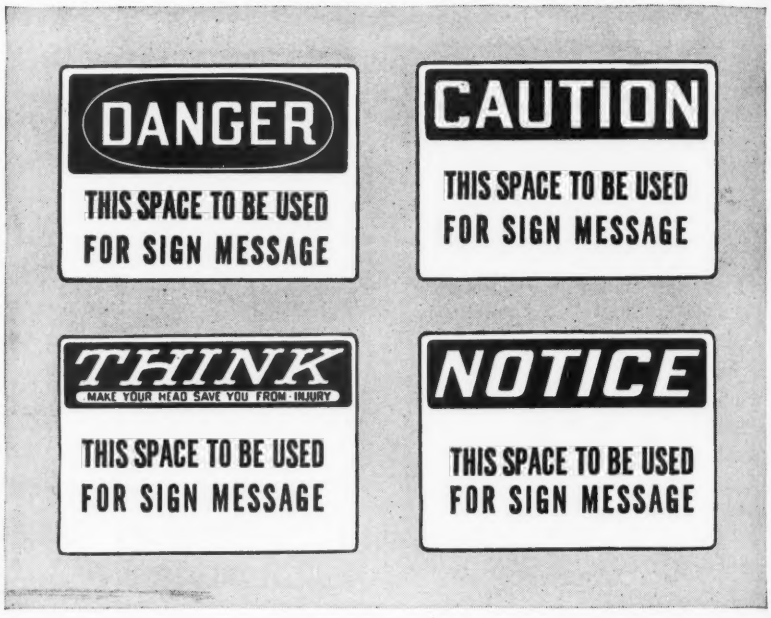
CRANE'S DISTAFF LINEN
CRANE'S POST

MADE IN DALTON, MASS., SINCE 1801


DANGER
THIS SPACE TO BE USED FOR SIGN MESSAGE
CAUTION
THIS SPACE TO BE USED FOR SIGN MESSAGE
THINK
MAKE YOUR HEAD SAVE YOU FROM INJURY
THIS SPACE TO BE USED FOR SIGN MESSAGE
NOTICE
THIS SPACE TO BE USED FOR SIGN MESSAGE

SIGNS—*Long taken for granted, industrial accident prevention signs now have uniform designs and colors, recommended by the American Standards Association, New York. "Danger" is white on a red oblong; "caution," yellow on black; safety instruction signs are white on green; directional signs or arrows are white on black; and general notices may be any color except red or yellow. Several companies have started making the signs.*

them from curling. To expose and develop a print requires 50 seconds. The apparatus was built by Westinghouse for the company's own use. The developer formula and the printing paper also originated in Westinghouse.

Books—Thousands of books have gone to army camp libraries from employees of large business under the auspices of "Books for the Boys at Camp." The plan was conceived, and is carried on, by Thomas C. Donley, an energetic mid-westerner, who as Co-ordinator of the plan has offices at 35 East 29th Street, New York City. It centers around New York City thus far, but is spreading rapidly.

The idea is not complicated. Especially prepared printed gummed labels are used. These are 4 inches wide; horizontal perforations divide them into three parts. The top 1½ inches explains the plan; the center 3¾ inches is a book plate to be pasted in the donated book; and the lower 1¼ inches is a mailing label.

Co-operating companies distribute these to employees, sometimes through an employee organization, sometimes through the personnel department, and sometimes with encouragement for the project through circulars or articles in the firm's employee paper.

The book plate inscriptions vary: Typical plates include company insignia, some such wording as "A book for the Camp Library from the personnel and friends of — — Company," and a place under the word "Donor" where the employee places his name. Often the mailing label is printed with the address of a specific camp to which some of the company's employees have gone. The donor-employee wraps the book and mails it at the 1½-cent a pound rate; few books take over 3 cents postage.

Oftentimes at the beginning of this program in a company, a goal is set; 500, 1,000, or 2,000 books are collected at the company and shipped by freight or express to a selected camp. Then the labels are used as a continuing plan to enlarge the collection further.

What's amazing about the plan is the way it has gone over. The list of over 100 co-operating companies reads like a "Who's Who" of the larger insurance companies, banks, and financial institutions of New York City. The Guaranty Trust Company through its employees' Guaranty Club was among the first; Co-ordinator Donley gives credit to Guaranty's second vice-president Harry V. Russell for an enthusi-

astic response that helped much at the beginning.

Among others from which books go under this plan are such well-known names as: Aetna Life Insurance Company, American Express Company, Brown Brothers, Harriman and Company, Chase National Bank, Chemical Bank Trust Company, First Boston Corporation, Morgan Stanley & Company, New York Stock Exchange. Some companies with nation-wide organizations have extended the plan to their personnel throughout this country and Canada.

Jewel—To educate employees in what it means to run a business successfully—coping with economics, science, salesmanship, government—more and more companies issue booklets explaining these problems. A recent contribution of this sort comes from Jewel Tea Company, Barrington, Ill.

Entitled *Adventures in Business,* the Jewel booklet differs from many others; it presents no graphs, says nothing about things for which the employee should be grateful to the company—pensions, profit-sharing.

The message of the Jewel Tea booklet is simple. It says that a little business operated by a route salesman for the company has the same problems as a big business. Each page drives home a business truth, points the moral, "This is true of all business."

The booklet does several things. It educates employees in problems of company management. It provides a series of short articles which can be read without pain by the families of employees and by persons unconnected with Jewel.

Finally, it explains business problems as encountered by the man operating a coffee sales route, the result being sales-training literature from which Jewel's route men learn things of specific value in making their routes more profitable.

Defense Report—Unusual in its source, an annual report and survey of defense activities arrived last month in the homes of 150,000 alumni of New York University's 14 schools, colleges, and divisions. It was the first time the university's chancellor had made an annual report to alumni.

The report was printed in black and violet on a wide sheet of stiff paper folded vertically four times. One page formed by the folding had its message completely changed several times during the printing, so that graduates from each of the larger schools found on that page of their copies a report on the activities of their own college.

To all alumni Chancellor H. W. Chase spoke of 1,500 special students in Engineering Defense Training Courses, of law students delving into civil-military relationships, of courses in nursing, defense housing, price control. But to many an alumnus, the most unexpected feature was something omitted from the report; it enclosed no bill for dues, made no request for endowments or active support.

Heat Research—Research on heating through radiant heat panels has been done by Dr. C. A. Mills, University of Cincinnati. He and an assistant found that radiant heated rooms will keep a lightly clad person warm and comfortable even when the air temperature is as low as freezing; but in a room at 90° F. with humidity of 65, the same panels, with cold water substituted for warm, kept subjects so cool that a sweater was needed. In Great Britain, a less extreme effect is achieved

are you throwing away DOLLARS IN DUST?
FOUNDRY SHAKE-OUTS
Buell Collectors are widely used to collect dust in shake-out rooms, to prevent dust escaping from tumbling barrels, and to reclaim dust from the cleaning of molding sand.
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In machining operations such as grinding, buffing, milling, planing, etc., Buell Dust Collectors, applied to exhaust hood systems, have an outstanding record of high efficiency.
WASTE HEAT GASES
Contamination of product in dryers utilizing dust laden waste heat gases is eliminated by the use of Buell cyclones, which have been found to have higher efficiency and lower power consumption than collectors which they replaced.
FOOD PROCESSING
Buell has developed collectors of special design and notable efficiency for many food products, such as powdered coffee, powdered milk, etc. Fabrication of stainless steel and hinged construction for easy cleaning meet all pure food law requirements.
CHEMICAL PRODUCTION
Buell Dust Collectors have proved highly efficient in removing contaminating flue dust from gases (such as sulphur dioxide in sulphuric acid manufacture), and in salvaging valuable dust (as in spray drying of magnesium hydrate) normally lost in exhaust.
THESE ARE JUST A FEW of the many applications in which Buell (van Tongeren) Dust Collectors are successfully serving such leaders of industry as Detroit Edison Co., Dow Chemical Co., Ford Motor Company, Lone Star Cement Corp., Nestle's Milk Products, Inc., and many others. Investigate the application of Buell (van Tongeren) Dust Collectors to your business.
Write for a copy of 24-page "Bulletin D-10, Dust in Industry"
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YOUR NEW ADVERTISING AGENCY

To select the right agency for the unusual times ahead, you must interview a group of those most likely able to serve you. Here are 6 reasons why we belong in that group:

1. We offer the advantages of a small agency with a large-agency-trained staff. 2. Our principals have directed their own commercial businesses. 3. We spend more time in the field than most agencies. 4. Testing is a fundamental with us—for greater advertising results. 5. We know how to use advertising to do many jobs (other than move merchandise). 6. We serve a diversified group of national accounts—from class to industrial, from package goods to service.

Further facts in our new 5-minute folder, "Business Men Handle My Advertising." Write for your copy.

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ASSEMBLY, fastening, tacking, tagging operations—in plant or shipping room—are speeded up and costs cut with Model T-1 HANSCO *tack* Tacker. Drives Hansen T-head Tacks, 3/16-inch to 1/2-inch lengths.

First of its kind to drive tacks, this unique device drives fast as you grip into hardest woods, thru thin metal or tin. Replaces ordinary tacks, brads and glue. Executives—plant superintendents—investigate!

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Executive Buying Influence

Direct buying negotiations in industry are customarily in the hands of purchasing agents, departmental, functional, technical, and engineering managers. Practically all purchases must have the final approval of management executives and frequently of the president.

However, studies reveal that presidents and other officers depart from set routine where their interests are aroused by offers of greater speed, efficiency, quality, and savings. In such circumstances top executives will not only initiate such purchases, but will consider and actually select the specific item.

When routine items involve large annual purchases, an executive determines the percentage of purchases among the suppliers available.

Salesmen to industry seldom reach these top executives. Thus an executive publication becomes a necessity in presenting the advertising story of facts, value, and service.

DUN'S REVIEW reaches 20,523 Presidents and more than 30,000 other executives.

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

MOBILIZED TO DEFEND YOUR FUTURE MARKET

SO THAT

WHEN THE BOYS COME MARCHING HOME AGAIN
THEY AND THEIR FAMILIES WILL KNOW YOUR PRODUCT—
AND YOUR MARKET WILL HAVE BEEN MAINTAINED FOR THE POST WAR PERIOD THRU THE INEXPENSIVE USE OF MOTION PICTURES

- 1300 local Y. M. C. A.'s acting as contact points for securing high grade audiences . . . plus hundreds of U. S. O. units.
- 4 distributing offices rendering a standardized service.
- 15,000 churches, clubs, high schools and industries having **their own** sound projectors look to our Bureau for their film programs.
- 45,000,000 people saw our films during the past year.
- Cost as low as $.0006 per capita, per minute—$1.00 per showing.

Y.M.C.A.
MOTION PICTURE BUREAU

NEW YORK 347 MADISON AVE. | **CHICAGO** 19 SO. LA SALLE ST. | **DALLAS** 1700 PATTERSON AVE. | **SAN FRANCISCO** 351 TURK ST.

THE LARGEST DISTRIBUTOR OF FREE FILMS IN THE WORLD

by pumping cool water through the pipes. However, this is considered practical only with water of about 55F and during low outside humidity, as, otherwise, dew forms on panel or wall.

The test room devised by Dr. Mills was lined with aluminum foil. The walls contained six steel panels, 20 by 42 inches, through which heat was supplied or removed. British experiments have been made with cubicles whose walls were laminated layers of Bakelite with foil in the center.

Last Winter The American Society of Heating and Ventilating Engineers conducted experiments on the psychological results of radiant heating, reporting the findings in a technical bulletin published by *Heating, Piping, and Air Conditioning*, the ASHVE journal. The bulletin charts the varying temperature and humidity changes in radiant heated and convection heated rooms and the reactions of subjects.

Lithography—A recent example of the use of an annual report as a sample of its own product is that issued by Harris-Seybold-Potter Company, Cleveland, Ohio. A lively example of color lithography, the report was printed on a Harris press, cut by a Seybold cutter, stitched by a Morrison-Seybold stitcher.

Harris-Seybold-Potter were not content merely to show a fine job from their presses. The annual report was an all-purpose affair, dressed up for the lover of color and pictures, containing the to-be-expected graphs about increases in wages, dividends, taxes, hourly earnings.

For employees—and others, too—the report named men having 15 to 25 years of service, and it carried a simple but dignified explanation of the balance sheet items. It pictured the varied line of company products, told how they are sold, cited the increase nationally in dollar volume of offset printing: from $87,000,000 in 1933 to $250,000,000 in 1939.

For the stockholder unacquainted with printing, the annual report had an explanation of the difference between letterpress, gravure, and lithography. For the stockholder who takes his accounting facts straight, there were the consolidated balance sheets, two pages of notes, and a profit and loss statement.

BUSINESS BOOKSHELF

THE most important current writings of Bernard M. Baruch on industrial mobilization, combined with the text of the War Industries Board Report, are published under the title, *American Industry in the War.* (Prentice-Hall, 510 pages, $5.) The War Industries Board report is accompanied by editorial footnotes mentioning new developments affecting the present national defense program.

American Industry in the War reproduces many of the Priorities Circulars issued by the War Industries Board, also Preference Lists, Minutes of the Industrial Adjustments Committee, Reports of the Labor Conference, and fixed-price schedules issued by the Board.

The control of commodities during the World War receives about 250 pages of the book. Following this discussion of the past comes "Book II," on taking the profit out of war. It includes "Suggested policies to provide without constitutional change for industrial mobilization, elimination of profiteering, and equalization of the burdens of the war." The end of Book II, part III, is a discussion of "Priorities—the Synchronizing Force."

BETWEEN covers of a book with the ordinary title *Principles of Public Finance,* is an unordinary text, written as one step in a sweeping program for study and improvement of taxation. The book, by Mayne S. Howard published by Commerce Clearing House, has 460 pages, $5. Mr. Howard is also general editor of *Tax Systems of the World,* an annual publication.

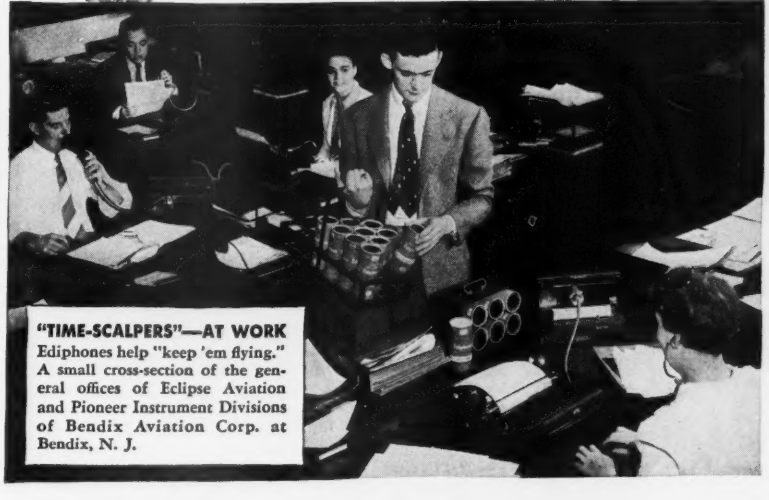
The chapters seek to answer for the statesman in a hurry ten questions: what a tax is; its advantages, disadvantages; rates, exemptions, shiftability; precise taxable ability and benefit involved; economic effects; and impression on the electorate. It leaves four questions for later development: where tried and what resulted; cost of administering, administrative set-up needed; and precise language of the statute.

Tomahawk . . . on the war path!

THE IROQUOIS tomahawk had *three* parts—the R.A.F.'s lethal fighter has over 10,000 . . . Many of the more vital parts for the Curtiss "Tomahawk" are coming out of Bendix, N. J. at an almost unbelievable rate—from Eclipse Aviation.

Eclipse has expanded *tenfold*—in twenty-four months. Its in-line production system is geared to streamlined office procedure. Specifications, correspondence, details and memoranda are *talked* away to Ediphones—minds are kept free for the *big* problem of speeding National Defense . . . Ediphone Voice Writing will "mesh" the time of secretaries and executives in a one-man business or an industry. For a demonstration—free—simply phone Ediphone (your city) or write Dept. D10, Thomas A. Edison, Inc., West Orange, N. J. or Thomas A. Edison of Canada, Ltd., 610 Bay St., Toronto.

EDISON
VOICEWRITER
Ediphone



"TIME-SCALPERS"—AT WORK
Ediphones help "keep 'em flying." A small cross-section of the general offices of Eclipse Aviation and Pioneer Instrument Divisions of Bendix Aviation Corp. at Bendix, N. J.

HOW EMPLOYE MORALE IS IMPROVED BY SMALL LOAN SERVICE

MANY a worker occasionally gets behind with his bills through no fault of his own. An unexpected emergency—an accident or long illness in the family, for instance—can easily cost more than he can pay for out of savings or current income.

Loan can end worries

That's when a worker needs a loan—for his employer's good as well as his own. For if a good worker has to worry about bills he can't pay, his work usually suffers.

Most industrial states have passed Small Loan Laws. These laws, written to serve and protect the small borrower, make possible the operation of a company like Household Finance.

Wage workers can borrow at Household Finance largely on character and earning ability. No endorser is needed. No wage assignment is taken. The loan is made in a simple, private transaction. Borrowers repay in small monthly installments. Last year Household Finance made over 800,000 such loans to workers in all branches of industry.

Charges below lawful maximum

The table below shows some typical loan plans. Payments include all charges. Charges are made at the rate of 2½% per month (less in many territories on the larger loans). Household's charges are below the maximum rates authorized by the Small Loan Laws of most states.

WHAT BORROWER GETS	WHAT BORROWER REPAYS MONTHLY				
	2 paymts	*6 paymts*	*12 paymts*	*15 paymts*	*18 paymts*
$ 20	$ 10.38	$ 3.63	$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	$ 8.08	$ 6.97
150	77.82	27.23	14.62	12.11	10.45
200	103.77	36.31	19.50	16.15	13.93
250	129.71	45.39	24.37	20.19	17.42
300	155.65	54.46	29.25	24.23	20.90

Above payments include charges of 2½% per month and based on prompt payment are in effect in seven states. Due to local conditions, rates elsewhere vary slightly.

Household maintains a staff of home economists to encourage families to be wiser buyers and better managers. The company's practical booklets on money management and better buymanship have helped thousands to get more from their incomes. Leading schools and colleges now use these booklets as supplementary texts.

We will gladly send you more information about Household Finance service without obligation. Please use the coupon below.

HOUSEHOLD FINANCE
Corporation
ESTABLISHED 1878

Headquarters: 919 N. Michigan Ave., Chicago
One of America's leading family finance organizations, with 299 branches in 197 cities

HOUSEHOLD FINANCE CORPORATION, Dept. DR-10
919 N. Michigan Ave., Chicago, Ill.

Please tell me more about your loan service for wage earners—without obligation.

Name.....

Address.....

City.....*State*.....

How to Select and Direct the Office Staff, by E. A. Richards and E. B. Rubin. (Harper & Brothers, 188 pages, $2.50.) Designed to help business men, especially those heading small firms, in the practical details and policy of managing office personnel, this book furnishes information on such things as standards for stenographic and clerical jobs, sources of personnel, the best application forms, tests for prospective employees, interviewing, and introduction of the new employee to his or her position and duties.

After reaching this point in the employment cycle, the authors recommend employer attitudes and methods which will keep a new employee content and striving. They outline the subject of wage-incentive plans, describe factors on which promotions should be based, and end the cycle with explanation of how to discharge or lay off people yet avoid unnecessary ill will. The book ends with a consideration of common management problems as they relate to good personnel practice.

Price Behaviour and Business Policy is the title of TNEC monograph number 1, by Saul Nelson and Walter G. Keim. (U. S. Supt. of Documents, 444 pages, 45 cents.) There are three parts to it: Price Behaviour and Business Policy; Geographic Price Structures; and Prices and Price Margins in the Drug Trade.

Part one considers price flexibility, non-price competition, measures of price flexibility, and conventional price lines. The electrical equipment industries are examined as an illustration of the complex policy issues involved.

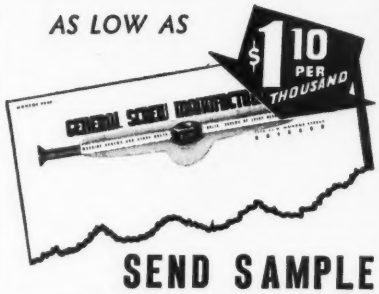
In part two the investigation goes into types of geographic price structure and geographic practices in American markets, citing 21 major lines with their subdivisions.

The drug trade study, part three, deals with resale price controls, retail markets, and distributive margins.

No. 4, *Concentration and Composition of Individual Incomes, 1918-1937,* by Adolph J. Goldenthal. (TNEC, 127 pages, 15 cents.) Reporting statistics of changes in the distribution of individuals' income and variations from year to year in these changes, this monograph breaks the largest incomes down according to source. Besides data on

LITHOGRAPHED LETTERHEADS

AS LOW AS $1.10 PER THOUSAND



SEND SAMPLE

OF YOUR LETTERHEAD AND LET US SUBMIT A MODERNIZED DESIGN FREE

★ Through mass production on the biggest and latest equipment, we offer fine quality work at prices that surprise our new customers and continue to hold our old ones. Not only on letterheads, but on circulars, folders and forms as well!

★ Whether or not you want your present letterhead re-designed, send us a line and say: "I'd like to see your folder of famous letterheads". With it we'll send our all-time-low price quotations on quality work. And, of course, you won't be obligated to buy.

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Advertising and Merchandising Manager

WITH UNUSUAL BACKGROUND!

Not a "desk man" but a live merchandiser with a proven, successful record seeks greater opportunity.

- Twelve years of sound advertising administration. With present organization 7 years—4 years in charge of field merchandising—3 years as national advertising and sales promotion manager.
- With limited advertising budget, 1939 showed 37% business increase—1940 showed 44% increase—1941 is well ahead of last year.
- Intimately familiar with every detail of economical advertising and sales promotion procedure. Creates sales producing displays, handles display department. Knows markets from Maine to California.
- Thoroughly experienced in agency procedure, sales department problems, market research, modern packaging and public relations.
- University graduate—age 34—married—Box No. 333, c/o DUN'S REVIEW, 290 Broadway, New York.

Put Boston on and I'll get McGuire on my Dictograph

"YOU SEE, when I'm using my outside phone I can still talk to anyone in this office, whose help I need, through my loud-speaking Dictograph. That saves us hundreds of dollars a year in Long-Distance tolls."

DICTOGRAPH

EXECUTIVE INTERIOR TELEPHONE SYSTEMS

conserve management-hours and overhead dollars in 10,000 American offices and factories. It **"Speeds up Speed"** on *both* inside and outside conversations. Let us send you literature—or better still, demonstrate it in your office.

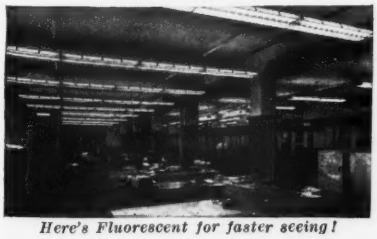
DICTOGRAPH SALES CORP.
580 Fifth Avenue Dept. 534
New York City

$10,200 WORTH OF BUSINESS ORDERS WERE SECURED AS THE RESULT OF A $45 ADVERTISEMENT IN DUN'S REVIEW.

Wakefield

GRENADIERS

tripled the light



Here's Fluorescent for faster seeing!

SEE how Wakefield GRENADIERS modernized this office. Used in continuous lines as "suspended troffers", these popular two-lamp units *tripled* light on desks and file drawers to help speed seeing and reduce eyestrain. It's comfortable light, too, since GRENADIERS put some light on the ceiling; are adequately louvered to prevent glare. Maintenance cost is low. Lamp replacement is easy. And especially important to you, the GRENADIER is a Certified Fleur-O-Lier . . . checked and certified by Electrical Testing Laboratories to standards that assure you satisfactory service, dependable operation. Write for details.

Wakefield also makes other fluorescent fixtures for commercial lighting.

OUR 35th ANNIVERSARY 1906 1941

THE F.W. WAKEFIELD BRASS CO.
101 DUNWOOD PARK, VERMILION, OHIO

distribution, concentration, and composition of incomes, the booklet has material on concentration of "purchasing power" and the effects of relief and veterans' adjusted-service payments on income concentration.

WHAT Great Britain did to adapt its administrative machinery, its labor and social policies and practices to the needs of total war, May to October 1940, is surveyed in a book called *The Labour Situation in Great Britain.* (International Labor Office, 56 pages, 25 cents.)

Utilization of Corporate Profits in Prosperity and Depression, by O. J. Curry. (Bureau of Business Research, University of Michigan, 131 pages, $1.) This study, made from the point of view of small investors owning a few shares of stock in very large corporations, presents evidence on the financial policies of prominent, generally profitable, and widely owned American corporations manufacturing and distributing basic commodities from 1922 to 1936.

It reports how much these corporations earned individually, what portion was paid as dividends during the fat and lean years, and what percentages of their total incomes were retained in the business. It also considers what becomes of earnings which are retained and what happens when companies operate at a loss and liquidate assets.

WORLD events of these days have come about, says James Burnham in *The Managerial Revolution,* (John Day, 285 pages, $2.50) because control of production has passed from the owners into the hands of professional managers.

The author predicts an era of super-States and bloodier wars, calls the war of 1939 the first great war of managerial society, and predicts the split-up of Russia into two parts, Oriental and European. In his thinking, he separates completely the owner class, the managerial class, and the masses.

TRADE names not to be found in the better known reference sources are listed in *Trade-Names Index,* published by the Special Libraries Association. (185 pages, $4.) The list gives a name, a one-sentence definition, and

This New DETEX MANUAL brings you up to date on PLANT PROTECTION

From its storehouse of 60 years' experience, DETEX has written a manual for employers, watchmen and guards, showing how to counteract SABOTAGE, ESPIONAGE, FIRE and THEFT. If you are an executive responsible for plant protection, put this DETEX Manual on your "must" reading list. Send for your *free* copy today.

DETEX WATCHCLOCK CORPORATION
Dept. DR-10
Home Office: 76 Varick Street, New York
Sales and Service in All Principal Cities

DETEX

IT'S NOISY HERE but QUIET HERE

New Phone Booth gives "Zone of Quiet" for busy factories

Noise in busy factories often causes production delays due to errors in phone orders. Such troubles can be easily prevented by using Burgess Acousti-Booths for your factory phones. The patented sound-absorbing interior of the booth soaks up factory noise and leaves a "zone of quiet" for easy telephoning. There are no doors, yet the booth is amazingly noise-free. Natural ventilation, without fans, avoids stuffiness. Let us send you a bulletin on this easy-to-use, easy-to-clean, easy-to-install factory phone booth.

Manufactured under Burgess Patents

Mail Coupon for Free Booklet

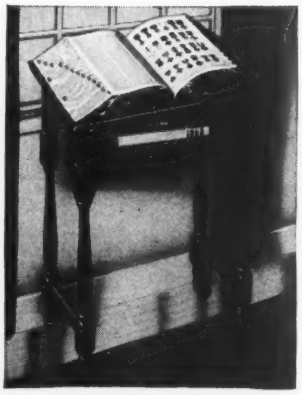
Burgess Battery Company, Acoustic Division
564 W. Huron St., Chicago
Send free booklet on Burgess Acousti-Booth and how it makes telephoning easy in noisy places.

*Name*_____

*Firm Name*_____

*Street-City*_____

BURGESS ACOUSTI-BOOTH



An essential in every office—a good unabridged dictionary

EVERY office should have at least one copy of Webster's New International Dictionary, to serve as the court of final appeal on all matters having to do with words.

In this work you will find not only full, complete treatments of all terms peculiar to the business world, but also a vast store of information on any subject you may wish to know about.

Newly revised at a cost of $1,300,000, Webster's New International Dictionary, *Second Edition*, is *twenty years newer* than any comparable dictionary; it is made to serve *today's* needs.

Send for free booklet, "The New Merriam-Webster: What It Will Do For You," from the publishers, G. & C. Merriam Company, 97 Federal Street, Springfield, Mass.

WEBSTER'S NEW INTERNATIONAL DICTIONARY
Second Edition

FOR DEFENSE AGAINST FATIGUE

GUARD POSTURE WITH THE NEW CONVOY

ENERGY is priceless today! CONVOY—newest Domore contribution to scientific, comfortable seating—is designed to encourage erect posture and promote better work. Styled for executive taste. Like all Do/More chairs for office workers, it fosters sustained alertness, helps to make work flow easier, faster.

INDIVIDUALLY ADJUSTED

Your local Domore agent is a posture specialist who can help you select the right chairs, and will adjust each to the individual and the work to be done. Consult him *today*, or write for information on Do/More chairs and Do/More Triple Service Plan. Domore Chair Company, Inc., 1015 Franklin St. Elkhart, Ind. Licensed by Posture Research Corporation

WRITE FOR NEW FOLDER

DO/MORE *Seating Service*

a reference either to the manufacturer or the trade journal which reported it. The definitions and sources are from trade name files in the Technology Department, Carnegie Library of Pittsburgh. The *Index* also contains a bibliography of lists of trade names and trade-marks.

Building Cycles and the Theory of Investment, by Clarence D. Long, Jr. (Princeton University Press, 255 pages, $2.50.) Possible interrelationships between building activity and business in general are investigated. There is an analysis of the interaction between investment and consumption, of the repercussions of this upon activity in building and of building upon the first two. The timing, duration, and severity of long building cycles are studied and explained. An appendix contains a monthly index of building in United States cities from 1868 to 1940.

FOR all the ease and interest with which it reads, *The Automobile Industry,* by E. D. Kennedy (Reynal & Hitchcock, 333 pages, $3.50) is in the heavyweight class of industrial studies. It teems with facts, figures, and tables on car production and profit. Its subtitle is "The Coming of Age of Capitalism's Favorite Child."

CURRENT READING

BOOK	SUMMARY
STATISTICAL ABSTRACT OF THE UNITED STATES. Bureau of the Census, U. S. Dept. of Commerce, 986 pages, $1.50, from Superintendent of Documents.	The sixty-second issue of this annual compilation of statistics relating to the social and economic condition of the nation and to its industrial, commercial, and governmental activities.
METHODS OF SALES PROMOTION, by Kenneth S. Howard. McGraw-Hill Book Co., 273 pages, $2.25.	Major and minor divisions of sales promotion considered in three general sections: sales promotion by manufacturers; sales promotion by retailers; and further sales promotion media—institutional advertising, house organs, and radio.
AN INTRODUCTION TO CORPORATE ACCOUNTING STANDARDS, by W. A. Paton and A. C. Littleton. American Accounting Association, 156 pages, $1.	This presents and expands basic concepts believed essential for a sound fundamental structure of corporate accounting. There are chapters on standards, concepts, cost, revenue, income, surplus, and interpretation.
GENERAL ACCOUNTING, by H. A. Finney. Prentice-Hall, 612 pages, $5.35.	A textbook in which every effort is bent to present the answer to a business man's questions simply, shortly, and with the aid of numerous chapter sub-headings.
GOVERNMENT SPENDING AND ECONOMIC EXPANSION, by Arthur E. Burns and Donald S. Watson. American Council on Public Affairs, 182 pages, $2 (paper), $2.50 (cloth).	With the premise that the future of America depends on expansion, this book reviews the gradual transfer of sources of economic expansion from private enterprise to public enterprise. Among their conclusions the authors emphasize importance of the amount of interest due on the national debt, rather than amount of the debt itself.
GOVERNMENT AGENCIES OF CONSUMER INSTALLMENT CREDIT, by Joseph D. Coppock. National Bureau of Economic Research, 238 pages, $2.50.	Number 5 in the Bureau's series on installment credit. A discussion of the activities of the two Government agencies that participate in consumer installment financing: Federal Housing Administration and the Electric Home and Farm Authority.
DOLLARS IN LATIN AMERICA, by Willy Feuerlein and Elizabeth Hannan. Council on Foreign Relations, 118 pages, $1.50.	A study of Latin-American bond defaults and expropriations and of new ways of financial collaboration with these nations.
BALANCING AND HEDGING AN INVESTMENT PLAN, by Walter E. Lagerquist. Ronald Press, 310 pages, $3.50.	Underlying, fundamental problems involved in planning an investment program; hazards which may cause considerable gains or losses are to be avoided as much as possible.
HAWAII: RESTLESS RAMPART, by Joseph Barber, Jr. Bobbs-Merrill, 285 pages, $2.75.	Economic, social, and strategic situation of the Territory of Hawaii. The viewpoint is critical of the island's oldest and largest companies.
THE TELEPHONE IN A CHANGING WORLD, by M. M. Dilts. Longmans, Green & Co., 233 pages, $2.50.	History of the telephone as a cultural, social, and economic force, including development of by-products and sidelines by telephone laboratories.
THE BUSINESS CORPORATION, by Mead, Jeremiah, and Warrington. D. Appleton-Century, 700 pages, $4.	Ninth edition of a book published in 1910 and since brought up to date. It follows the line of a corporate life cycle from birth through growth to maturity and then to dissolution, emphasizing, however, the corporate objective of continuing, profitable existence.

OVER THE EDITOR'S DESK

FROM the presses of E. P. Dutton & Company, Inc., has come a limited, signed edition of peoms written by one of the Associate Editors of DUN'S REVIEW, A. M. Sullivan. Titled *A Day in Manhattan,* the new book has five narrative pictures of trucking, transcontinental rail travel, Manhattan life, the soil, and the darkness of these days. Mr. Sullivan wrote the poems for radio programs; they are accompanied by "studio" directions for the characters who read them, just as plays carry stage directions.

TWENTY years spent more or less in carving deductions from over-plump payments of corporations and individuals, and of advising when too small a payment might evoke fines furnished J. K. Lasser with the background for his writings on taxes. "Corporations and the 1941 Tax Law" is his second contribution to this publication. The first was "What the Excess Profits Tax Requires and Permits," in the December 1940 issue.

THE next issue of DUN'S REVIEW will be dominated by small paragraphs describing the industrial temperature of about 700 cities and towns where defense production keeps the plant lights burning. Defense expenditures is the subject, continuing the information which appeared in June on "Defense Dollars and Consumer Markets."

DUN'S REVIEW

290 BROADWAY NEW YORK, N. Y.

SUBSCRIPTION: $4 a year; $10 for three years; 35 cents a copy. Outside U. S. $5 a year.

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GOOD BUSINESS NEWS

How OPEN ACCOUNT FINANCING Helped to *double* the 1941 Volume

THOUSANDS of manufacturers and wholesalers are extremely busy writing books like these.

They all hope to be best sellers. At least, they hope to be comparatively better than in the previous year.

But frozen assets . . . lack of working capital . . . inability to get sufficient credit from banking connections . . . these factors tend to handicap every business.

Not the PORTSON COMPANY*, however. With limited capital and bank credit, the best they were able to do during the first six months of 1940 was $207,087.67 sales volume.

For the first six months of 1941, using OPEN ACCOUNT FINANCING, the volume was $400,617.06 . . . nearly double the 1940 figures.

To quote from a letter written by the Company:

"We have doubled our business. This could only be accomplished by the financial assistance received from you. Furthermore, the months of MAY and JUNE show an increase of more than $100,000 over the same two months of last year . . . Your financing help has enabled us to take on business we could not handle in the past, and we are sure that we will be able to increase our business even more."

If *any* financing can help increase your business and profits, OPEN ACCOUNT FINANCING will. If interested in getting further information, write for "COMPARATIVE COST OF FINANCING." Address Dept. DR.

P. S. It's "Non-Notification" . . . none of your customers is notified.

**A fictitious name, but the facts and figures, taken from our files can be verified.*

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN $60,000,000

The Battle of Washington

THE story is going the rounds concerning a delegation of citizens from a particular community who went to Washington. They visited OPM and wept over the sad plight of their city, because no defense business had come its way. On the same day they visited the Federal Housing Administration and pled for help to house the workers needed for the boom in their industries already created by defense business.

Defense must be more than just a reason for getting what you want.

Willard L. Thorp.

EDITOR

FEDERAL HOUSING AND DEFENSE PRODUCTION WORK—OEM PHOTOGRAPHS BY PALMER

61